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**GOVERNMENT AND BUSINESS RELATIONS  
IN THAILAND:**

**An Empirical Study of Ideology and Interaction**

**A Thesis Submitted for  
the Degree of Doctor of Philosophy**

**to**

**Glasgow Business School  
Department of Management Studies  
UNIVERSITY OF GLASGOW**

**by**

**Somchai Thamsirisup**

**Glasgow, Scotland  
October, 1990**

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## ACKNOWLEDGEMENTS

There are far too many people who have contributed in one way or another to this thesis to be mentioned in this short acknowledgement. However, an effort should be made here. I wish to thank the Thai Civil Commission and the Office for International Programmes for arranging a scholarship for me to study at the University of Glasgow. In particular, I would like to express my deep gratitude to the Director of the Office for International Programmes, Professor D. W. A. Sharp, and the Coordinator, Dr. A. F. Cameron. I am also grateful for the support, encouragement and inspiration from the former Head of Department, Professor David. T. H. Weir. I have learned so much from him. Mr. David Boddy has been appointed as the new Head of Department and continued Professor Weir's commitment to me. I am therefore indebted to him. I wish to thank both of my supervisors, Mr. John Lewis and Mr. Douglas Briggs, for their constructive criticism throughout the course of my Ph.D. research and for the warm welcome of their families during my time in Glasgow. I am especially grateful to Mrs. Elizabeth Briggs for her editorial assistance. Her sound linguistic judgement and sensitivity to misplaced thoughts are largely responsible for whatever clarity this thesis has achieved. I also appreciate the criticism from two former members of the staff of the Glasgow Business School, Professor Jim M. Livingstone and Professor David Buchanan, and from my Ph.D. colleagues during the early stages of the development of this research.

I would like to thank several people for their help and friendly welcome during my fieldwork in Thailand. In particular, I am grateful to Dr. Patcharee Siroros, senior lecturer in political science, Thammasat University; Mr. Supakit Nimanorathep, Commercial Inspector, the Ministry of Commerce; Mrs. Orapin Weerawoot, Director of Industrial Economics Division, the Ministry of Industry; Miss Piyanart Watanakun, Executive Assistant of the Management of Economic and Social Development Project, Thailand Development Research Institute Foundation; Professor Suthi Ekahitanonda, Deputy Director for Research & Training; Sasin Graduate Institute of Business Administration of Chulalongkorn University; Dr. Preecha Jarungidanan, Dean of School of Business Administration, National Institute of Development Administration; the senior executives of the Industrial Finance Corporation of Thailand; members of the staff of the Government and Private Cooperation Division, Office of the National Economic and Social Development Board; and members of the staff of the Research and Statistics Division, Thai Chamber of Commerce. I am also indebted to the senior bureaucrats and the business managers participating in this research for their cooperation and efforts to fit my interviews with them into their already tight schedules.

Finally, I owe more than I can imagine to my family, especially my mother, for their understanding of my desire to study abroad. I am also very privileged to be consistently greeted in Glasgow by letters from my brothers, sisters, nephews, nieces and friends in Thailand. And without the friendship and love of one of my best friends, Montira Chantarawareerat, it would not have been possible for me to go through the psychological ordeal of this Ph.D. I dedicate this work to her.

**With love, to Salapao**

## ABSTRACT

**Introduction.** The subject of this thesis is government and business relations in Thailand. The theoretical basis of this subject mainly originated in studies in political science, economics, and sociology. The macro-perspective approach used in these studies produces an inaccurate description of government and business relations, and generates information which is of limited use to private managers and public administrators during their interaction. Studies of the relationship in developing countries are also scarce. In the light of these weaknesses, the micro-level, interactional approach is used to analyse the relationship in this research. Such an approach brings out the non-homogeneous nature of the relationship in which the government is seen as an institution both offering opportunities and imposing restrictions, and business as being both socially responsible and commercially selfish.

**Method.** The research covers both institutional interaction -contact between government agencies and companies- and policy interaction -interpenetration between government economic planning and business policy. In addition, as government and business relations do not exist in a vacuum, the ideological context is also studied. Interviews with 30 senior bureaucrats -directors of division or equivalent- in the ministries of Commerce, Industry and Finance, and with managers of 41 manufacturing companies ranked within the top 1,000 companies, were carried out in Thailand between April and August 1989.

**Conclusions.** In contrast to the literature which often places the government and business relations of a country somewhere on the spectrum of interventionist and non-interventionist states, the research findings here suggest that there is inconsistency and even contradiction within each individual senior bureaucrat's or business manager's views on government and business relations. In fact, the research found that pragmatic considerations and issue-by-issue judgements, rather than principles such as the theoretical idea of a free-market economy or state interventionism, dominate their views.

In the analysis of institutional interaction, the research found that government and business relations are not homogeneous but varied. The nature of interaction between government agencies and companies depends on, among other things, the types of contact, such as legally compulsory and non-compulsory dealings, and the characteristics of companies, such as size, origin and the extent of government control in the industry.

The analysis of policy interaction further confirms the heterogeneous nature of government and business relations. The nature of a company's reaction to a government policy which affects it as an individual and to that which affects the industry as a whole are different. In addition, the government develops different policy relationships with companies of different characteristics and the government influence on a company varies from one business decision to another.

**Implications.** Two major implications of the research are: first, the targeting and continuity of the government's industrial policy and its plans for the development of an industrial infrastructure and the rationalisation of the bureaucracy need an urgent review; second, large companies or corporations should set up an internal unit for dealing with the government.

**Future research.** The research findings suggest that future research should rely more on the empirical and comparative approaches and on micro-level analysis in order to improve its accuracy in describing government and business relations and the usefulness of information for management practice in both the public and private sectors. In particular, the internal organisation and mechanism for handling the government-related activities of companies in Thailand should be examined. Further research should also ask whether the companies have a political strategy, what the political strategies are, how they are formed within the companies, and how they are related to the companies' business policy and competitive strategy?

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## RECOMMENDATIONS FOR MANAGERS

Government and business interaction is increasing in most countries of the world. In Japan, the government has long dominated and intervened in business life; in the United States, multiple environmental issues have placed great pressure on the government to take a rather adversarial stance towards business; and in Europe, the full implications of the negotiations between national governments concerning the Common Market after 1992 are yet to be discovered by business. However, it is unfortunate that present knowledge of government and business relations is not as advanced as it should be. There is a lack of guidelines to which business managers and public administrators can refer when handling the strains, tensions, or conflicts of their interaction. For example, in a handbook of management, one can readily find guidelines for management practices in marketing, production, finance and organisation, but not in government relations.

The findings of this research suggest that some companies in Thailand should now think about setting up a "government relations unit" within their organisation. There are several reasons for chief executives to take this initiative. First, the findings show that in Thailand, business dominates the government. Government economic policy favours business. Ideologically, the Thai bureaucracy also favours business. The majority of the senior bureaucrats interviewed in this research believed that business should play an initiatory role in its relationship with the government and encouraged the participation of business in economic policy making. This favourable climate provides many opportunities for business to reap benefits from its relationship with the government if companies are willing to try to analyse the pertinent circumstances and compare their objectives with those of the present government economic policy. Companies must also know whom to approach, when and how. The formation of a government relations unit is a prerequisite for the effectiveness of these tasks.

Second, the research findings show that the political activities of a company in a pro-business climate are, in contrast to those of an anti-business environment, rarely a reaction to unfavourable government regulations. Instead, they are often part of a competitive strategy designed to secure greater influence over the government than the company's competitors or even to gain exclusive influence over a policy issue. They may also be the result of imitation. In other words, business political activities constitute the efforts of a company to out-manoeuvre its competitors or potential competitors in the making of "the rules of the game." The success of this ability to outmanoeuvre is unlikely to be achieved without the creation of a government relations unit within the company.

Finally, recent political developments in Thailand are moving towards democracy. As a result, new pressure groups such as environmental groups will emerge and the old ones such as labour unions will become stronger, adding a new dimension to the external environment of companies in Thailand. It is crucial that companies be able to handle these increasingly active social forces.

The setting-up of an internal government relations unit should be the first step for a company in improving its relations with the external environment in general. In particular it would operate as a link between the company and the government. However, as not all companies have to deal extensively with the government, it is the large companies or corporations in the industries where the government exerts relatively great control which would most benefit from a government relations unit.

The research recommends that a company should assign one of the line-managers or the chief executive to be primarily responsible for the management of government-related activities, depending on the nature of its dealings with the government, since it was found in this research that one senior manager is often more involved in the company's government-related activities than the others. Such an assignment of responsibility to a line-manager or to the chief executive, as against the creation of a new government relations manager, has two advantages. First, it is cost-

effective. Second, it makes communication and coordination between the government relations unit and other business functions easier.

It is recommended that the government relations unit should be mainly responsible for three tasks: institutional relations, policy relations, and personnel-and-others relations. First, in institutional relations with the government, the unit would handle both routine and non-routine contact with various government agencies. Routine contact is primarily for dealing with government regulations or legal requirements such as tax payments, renewal of factory licences, and export and import documentation. Non-routine contact is mainly for non-compulsory dealing with government such as applications for investment or export promotion, price increase negotiations, foreign trade missions or exhibitions, and industrial dispute settlements. Dealings with various government agencies should also be coordinated.

Second, the government relations unit would develop two types of policy relationship with the government: the *ex ante facto* and *ex post facto* modes of policy interaction. In the *ex ante facto* policy relationship, the unit would not only scan and identify forthcoming government policies, but also monitor and anticipate their future development. The possible impact of these policies, both in terms of the opportunities they may present and the restrictions they threaten to impose, should be evaluated as a matter of priority in the light of the company's present objectives and future plans. The scanning and anticipation of government policies will enable an appropriate strategy to be drawn up. The unit could advocate the policies which are in the company's favour, campaign and lobby against those which threaten the company, or advise the company to adapt itself in accordance with them. This *ex ante facto* policy relationship should be given careful attention since the research findings show that business efforts to influence government economic policy in its implementation stage are often greeted with less than satisfactory responses from bureaucrats.

In the *ex post facto* policy relationship, the unit would deal with government policies in their implementation stage. The impact of policies can be classified as

affecting the company as an individual or the industry as a whole. The research findings suggest that an individual company's efforts to influence the government - often taken when a policy affects it as an individual- tend to be less successful than those of a business association -often the channel used when a policy affects the industry as a whole. Therefore, whenever possible, the unit should organise collective representation, for example, by trade associations or groups of companies, so that the success of its efforts to influence the implementation of government economy policy may be enhanced. The majority of senior bureaucrats interviewed in this research also indicated their preference for collective participation of businesses in public policy.

Finally, the government relations unit would be responsible for making and maintaining personnel and other relations with government. Frequent contact leads to the development of links between the personnel from business and government. The research found that an average of up to five contact government officials, whose positions can range from clerk or member of administrative staff to director of a division, are dealt with by a company in its regular interaction with a government agency. However, existing personal relationships based on having formerly been colleagues or having attended the same school or university were also found. These relationships present an important opportunity for the unit to gain information from and influence over the government. Moreover, considering the importance of human relationships in the Thai work culture, the government relations unit should make sure that the personnel relationships between the company and the government are well maintained. It should not hesitate to participate in social activities organised by the government, such as charities or sporting events, and make sure that proper congratulations and condolences are sent in times of success or misfortune in the lives of regular contacts. The goodwill achieved in these informal relationships would play an important role in the future influence of the company over the government.

As these three government relations tasks are not separate but closely related,

they should be coordinated by the government relations unit. The information gained from informal relationships developed with bureaucrats during routine contact could be used by managers to identify forthcoming government policies. In addition, the government relations unit should communicate with other line-functions, giving up-to-date information about the external environment of the company to other line-managers as well as becoming informed of current internal activities. It should also report its operations regularly to top management so that its recommendations can be integrated into overall business policy. The government relations manager might initiate a modification of the company's new investment project in anticipation of a forthcoming government economic policy, or the company might opt for an offensive strategy by taking political action to influence the forthcoming policy. The unit should follow up the results and evaluate the effectiveness of the initiated actions and programmes. The link between the government relations unit and the top management would be completed by the feedback of the evaluation results.

However, the concept and scope of operation of the type of government relations unit just described may be too narrow or inadequate for some large companies and corporations. These companies and corporations may also have to deal extensively with the local community, media, stockholders, consumers, political associations, and business associations. In the long term it would be possible for these relations to be integrated into the government relations unit, to form the "public affairs function." At this stage the company would be able to stay in touch with its external environment through the "window" of the public affairs function and better manage the pressure from the wider society, of which it is a part.

**Chapter 1**  
**Research Overview**

- 1.1 Introduction**
- 1.2 The Subject Matter of Government and Business Relations**
- 1.3 Theories of Government and Business Relations**
- 1.4 Trends in Research Activities**
- 1.5 What Will This Research Achieve beyond the Present Literature?**
- 1.6 Significance of the Research**
- 1.7 Organisation of the Thesis**

# CHAPTER 1

## RESEARCH OVERVIEW

### 1.1 INTRODUCTION

This first chapter is a literature review. Its main purpose is to provide the background and theoretical framework from which this research is developed. In particular, it will bring out the subject matter of government and business relations and their relevant theories. It will also identify the present trends of research activities and the weaknesses of the literature. The position taken and approach adopted by this research are then discussed. Finally, a general outline of the organisation of the thesis is given.

### 1.2 THE SUBJECT MATTER OF GOVERNMENT AND BUSINESS RELATIONS

It is rather difficult to define the exact boundaries of the subject matter of government and business relations since its analysis is multi-disciplinary, involving a variety of different theories. In addition, the analysis can be done at different levels, for example, at the micro- or macro-level.

*Multi-disciplinary study.* The multi-disciplinary nature of the study of government and business relations seems to be unavoidable as government is associated primarily with politics and political equity, while business is involved with economics and economic efficiency.

In economics, the subject matter of the relationship may be debated under such



titles as industrial policy, commercial policy, monetary policy, fiscal policy, industrial organisation and adaptation, the promotion and adoption of new technology, the restructuring of declining and old industries, and the encouragement of growth in fledgling industries.

In political science, its study comes under such topics as the representation of industrial interests and the role of organised business.

Often, the subject is discussed from both perspectives, that is, from a political economy point of view. In such cases the analysis tends to focus on the public policy-making process, who the policy-actors are, and how the policy outcomes affect or are affected by the behaviour of the parties concerned.

Discussion of the subject may often become involved with the fundamental aspects of a society, for example, the values and ideology prevailing in that society, the attitudes towards the role of government in the economy, and the role of the business community in that society.

***Multi-level analysis.*** The study of the relationship frequently involves different levels of analysis. At a macro-level the units of study can be the government or the business community as a whole, while at a micro-level the discussion may focus on the interaction between firms and government agencies.

Moreover, several approaches are also employed in the investigation of the relationship. Some authors prefer to adopt a sectoral approach by studying the relationship between business and government within a particular industry, while others pay more attention on the comparative differences of the relationship within two industries or among countries.

***Industrial policy as the contextual policy.*** Given the multi-disciplinary complexity of the subject and the possibility of multi-level analysis, it is interesting to ask: "What then is the heart of the subject of the study of government and business relations?" The impression given by the literature is that "industrial policy" seems to

have dominated the scene for the past few decades. Even though the term "industrial policy" partially describes the subject of government and business relations, it is often mentioned or used as the contextual policy issue in discussion of the relationship. For example, the literature review of government and business relations in industrially advanced countries by Wilson revolves around such topics as government intervention, regulations, and administrative guidance.<sup>1</sup> The dominance of industrial policy as the contextual policy is even more obvious in the collection of papers by Zukin on business and politics in the United States and France.<sup>2</sup>

It follows that a brief discussion of the meaning of industrial policy is appropriate, although the task of defining industrial policy is beyond the need and the scope of this research since each author tends to create his or her own definition to suit the purposes of a particular study. For example, Grant defined industrial policy as "a set of measures used by governments to influence the investment decisions of individual enterprises -public or private- so as to promote such objectives as lower unemployment, a healthier balance of payments, and a generally more efficient industrial economy."<sup>3</sup> In comparison, Johnson held the view that "industrial policy is first of all an attitude, and only then a matter of technique. It involves the specific recognition that all government measures -taxes, licenses, prohibitions, regulations have a significant impact on the well-being or ill-health of whole sectors, industries, and enterprises in a market economy."<sup>4</sup> Instead, the concept rather than the definition of industrial policy is considered here.

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<sup>1</sup>Graham K. Wilson, *Business and Politics: A Comparative Introduction* (London: MacMillan, 1985).

<sup>2</sup>Sharon Zukin, "Industrial Policy as Post-Keynesian Politics: Basic Assumptions in the United States and France," in her *Business and Politics in the United States and France* (New York: Praeger, 1985).

<sup>3</sup>Wyn Grant, *Government and Industry: A Comparative Analysis of the US, Canada and the UK* (Hants: Edward Elgar, 1989), p.7.

<sup>4</sup>Chalmers Johnson, "Introduction: The Idea of Industrial Policy," in his *The Industrial Policy Debate* (California: ICS Press, 1984), p.8.

### 1.2.1 The Concept of Industrial Policy

Among many factors that make industrial policy a highly controversial issue is its concept. Hiroya Uneo described this equivocal characteristic of industrial policy as follows:

"Unlike traditional fiscal and monetary policy, industrial policy demonstrates no clear relationship between its objectives and the means of attaining them. Its conception, content, and forms differ, reflecting the stage of development of an economy, its national and historical circumstances, international conditions, and its political and economic situation, resulting in considerable differences from nation to nation and from era to era."<sup>5</sup>

The contingent characteristic of industrial policy implies that its study and analysis should refer to a certain context and situation.

*Industrial restructuring.* Several authors have drawn up a conceptual framework of industrial policy. Schultz described industrial policy as one whose aims are to channel the flow of private investment toward some firms- and necessarily, therefore, away from others. The government develops, at least in broad outline, an explicit conception of the direction in which industrial structure ought to be evolving, and then adopts a set of tax, loan, trade, regulatory, and other policies to lead economic activity along the desired path. Industrial policy typically has two aspects: "picking the winners" and "protecting the losers." Picking the winners involves identifying industries that are at the cutting edge of economic progress, with such characteristics as high growth potential and high value-added per worker, and then providing investment subsidies, research support and other assistance to existing firms and new entrants to those industries. Protecting the losers, on the other hand,

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<sup>5</sup>Hiroya Unco, "Industrial Policy: Its Role and Limits," *Journal of Japan Trade and Industry* (July-August, 1983), p.34, as quoted by Johnson, op.cit., p.6.

involves supporting and presumably helping to rehabilitate major declining industries. The government measures that would be deployed for this purpose include creation of barriers against competition from imports, special tax breaks, subsidised loans, and selectively regulatory treatment.<sup>6</sup>

*Styles of industrial policy.* A similar analytical description and classification of industrial policy made by Diebold is also of interest. Industrial policy refers to discrete governmental measures as well as to the sustained pursuit of certain ends or the persistent use of certain methods or devices.<sup>7</sup> He broadly divided industrial policy into three categories. Those that are "defensive" are mainly concerned with keeping in being some structural arrangement, such as the domestic production of certain goods that would not survive international competition or a given pattern of employment. The second category is "adaptive" policy which facilitates structural change by helping to shift resources to new uses that do not require protection or by increasing efficiency in the existing lines of activity. The last category of industrial policy "initiates change" rather than simply responding to it. This is what governments do when they have programmes of economic development for the country as a whole or certain parts of it and they seek to become producers of goods or services not formerly made at home.<sup>8</sup>

*Levels of the intervention of industrial policy.* On the other hand, industrial policy was viewed by Jacquemin mainly as a tool used to increase the speed of the process of resource allocation among and within industrial sectors. This implies that for a variety of reasons the public authority may be dissatisfied with the way the market allocates resources and achieves major structural changes. According to the goals pursued by the public authorities, the process of reallocation will be

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<sup>6</sup>Charles L. Schultz, "Industrial Policy: A Dissent," *The Brookings Review* (Fall, 1983), p.4.

<sup>7</sup>William Diebold, Jr., *Industrial Policy as an International Issue* (New York: McGraw-Hill, 1980), p.6.

<sup>8</sup>*Ibid.*, pp.7-8.

retarded or accelerated, facilitated or impeded. He distinguished three (non-mutually exclusive) types of industrial policy according to their level of aggregation.<sup>9</sup>

The "macro-economic" orientation is the least interventionist and leaves the functioning of industries and firms to the forces of the market. Industrial policy, if any, is then conceived as a policy to improve the general framework within which producers' activities and consumers' choices take place, and to facilitate the automatic process of industrial adjustment. Such an approach requires an infrastructure of quality, a professionally adapted labour force, accessibility of capital and credit, and a fiscal policy which is not opposed to economic rationality. Hence the proponents of "market industrial policy" trust that spontaneous competitive forces will lead to a price system which emits correct signals and that economic agents will react correctly to them. This implies that if the macro-economic system is "right", there is no justification for a specific industrial policy.<sup>10</sup>

At a second stage, "sectoral" policies are based on the view that the dynamics of competition are multidimensional, that inter-industry variations are important, that price flexibility will depend upon the characteristics of each market structure, and that without clear micro-economic foundations, macro-economic policies can be incompatible with the effective process of adjustment taking place in real markets. Sectoral policies aimed at certain industries are then justified when market imperfections or "market failure", such as strong externalities, affect specific industries, for example, high-technology industries. The precise reasons for market imperfection or market failure must then be identified and a policy designed to solve the specific problem directly. Industrial policy is then viewed as being able to provide non-market mechanisms that improve the response given by the market forces existing in the relevant industry.<sup>11</sup>

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<sup>9</sup>Alexis Jacquemin, "Introduction: Which policy for industry?" in his *European Industry: Public Policy and Corporate Strategy* (Oxford: Clarendon Press, 1984), p.1.

<sup>10</sup>Ibid., p.4.

<sup>11</sup>Ibid., pp.4-5.

At a third stage, a "micro-economic" industrial policy can lead a government to develop various forms of action directed towards specific companies and industrial groups. One basis for this approach is the growing importance of the analysis of the intra-industry differences in structure and performance, together with the development of the notion of the "strategic group" of firms and intra-industry mobility. A result of past research is that strategic groups, not industries, respond differently to the same market constraints, so industrial policy must take this heterogeneity of response into account.<sup>12</sup>

*The dynamic concept of comparative advantage.* Johnson argued that, in more abstract terms, industrial policy is a logical outgrowth of the changing concept of comparative advantage. The classical or static notion of comparative advantage refers to geographical differences and various natural endowments among economies that are supposed to produce a global division of labour. The newer dynamic concept of comparative advantage replaces the classical criteria with such elements as human creative power, foresight, a highly educated work force, organisational talent, the ability to choose, and the ability to adapt. Moreover, these attributes are not conceived as natural endowments but as qualities achieved through public policies such as education, organised research, and investment in social overhead capital.<sup>13</sup>

### 1.3 THEORIES OF GOVERNMENT AND BUSINESS RELATIONS

The study of government and business relations can be portrayed as a two-sided coin. In the previous section, industrial policy, the policy issue around which the literature of government and business relations often revolves, was identified and discussed. But that is just one side of the coin; the other side of the coin is the study of the characteristics of the relationship itself. In the latter the questions asked are: "How is

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<sup>12</sup>Ibid., p.5.

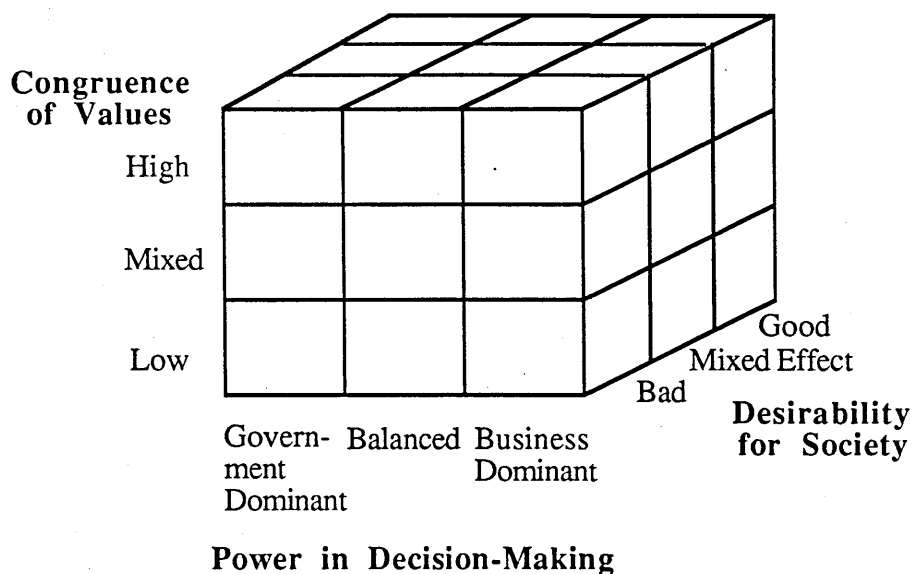
<sup>13</sup>Johnson, op.cit., p.8.

the relationship described?" and "Why is it as it is?"

### 1.3.1 Dimensions of Government and Business Relations

A framework for describing the state of business-government relationship is portrayed by Murray as a cube (see Figure 1-1). He stated that the description of the relationship consists of three dimensions.

**Figure 1-1: Framework for Describing the State of Business-Government Relationship**




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Source: V.V. Murray, "Introduction," in his *Theories of Business-Government Relations* (Toronto:Trans-Canada Press, 1985), p.5.

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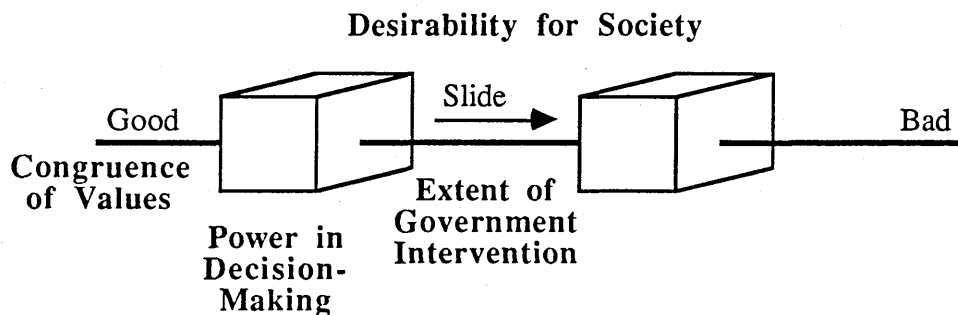
i) One is in terms of how much congruence or conflict there is on the part of the key players in government and business, for example, over government policies, programmes and regulations.

ii) The second dimension has to do with how much power and influence each has in making decisions on issues of mutual concern.

iii) Finally, there is the question of how "good" or "bad" the relationship is.<sup>14</sup>

This model is also useful in that it enables one to distinguish between several theories which seek to explain the various dimensions (aspects) of government and business relations. However, it can be argued that one crucial dimension of the relationship, the extent of government intervention in an economy, is missing from his model. Even though he mentioned that a fourth way to describe the nature of the relationship is solely in terms of the number and kind of involvements that the government has in matters relevant to the interests of business, he did not integrate this dimension into the model but saw it as a separate method of describing, which fails to suggest to what extent both parties desire a state of affairs or how a situation comes about; for example, how much business influence there is for or against the various involvements.<sup>15</sup>

**Figure 1-2: Modified Framework for Describing the State of Business-Government Relationship**



Instead of being viewed as a different way of describing government and business relations, the extent of government intervention in an economy should be

<sup>14</sup>V. V. Murray, "Introduction," in his *Theories of Business-Government Relationship*, (Toronto: Trans-Canada Press, 1985), pp.3-4.

<sup>15</sup>*Ibid.*, p.5.



integrated into his three-dimensional model, and the desirability-for-society dimension then becomes a good-bad scale on which the cubic model slides (see Figure 1-2). The modified model not only offers a more complete description of the state of the relationship but also provides a way of depicting the "compatibility" between a certain type of business-government relationship and its context.

*A more complete description of the relationship.* According to his framework, six basic types of business-government relationship are proposed (see Table 1-1). These six types of relationship, however, reveal nothing about government intervention in the economy. In contrast, the modified model shows the extent of government intervention and offers a more detailed classification of the relationship of up to 27 types. From Figure 1-3, it can be seen that each sub-unit taken out of the cubic model represents one type of relationship.

**Table 1-1: Basic Types of Business-Government Relationship**

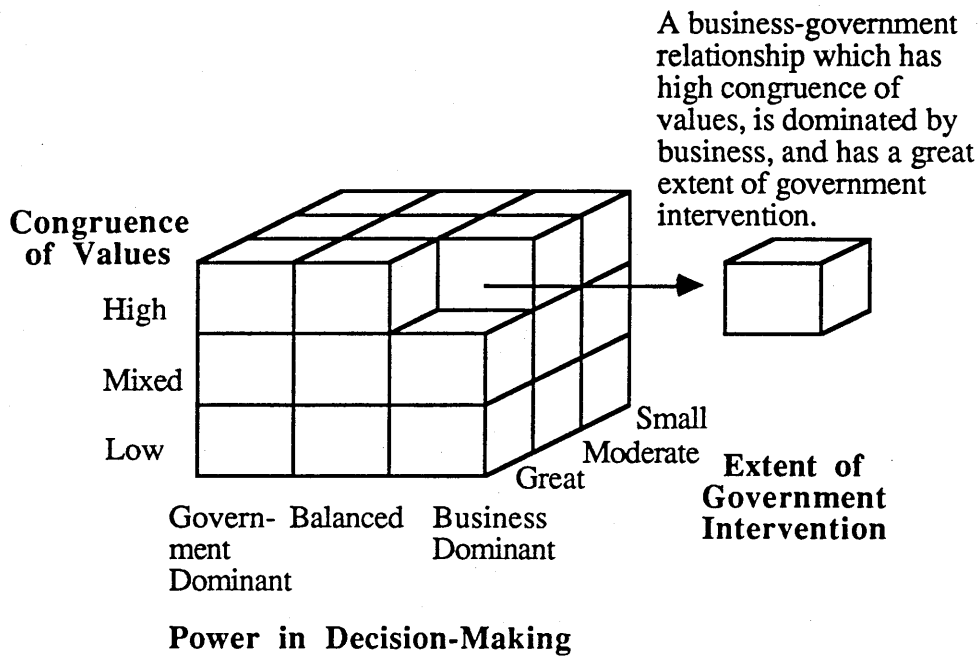
Relative Influence in Decision-Making	Parties' Positions on Issues	
	High Congruence	High Conflict
Business-Dominated	I. Pro-Business	II. Anti-Government
Government-Dominated	III. Pro-Government	IV. Anti-Business
Relatively-Balanced	V. Placid-Stable	VI. Turbulent-Changing

Source: V.V. Murray and C.J. MaMillan, "Business-Government Relations in Canada: A Conceptual Map," *Canada Public Administration*, Vol.26, No.4 (Winter, 1983), p.597.

*Compatibility.* An example will demonstrate this aspect of the modified model. A relationship which has a high congruence of values, is dominated by government, and experiences a great deal of government intervention, might be compatible with Japanese society and therefore is located on the good end of the desirability-for-society scale. In comparison, the same type of relationship might not be compatible with American society because of its liberal tradition of industrial and political

development, and consequently, in this case, is located on the bad end of the scale.

**Figure 1-3: The Representation of the Relationship between Government and Business**



### 1.3.2 Determinants of Characteristics of Government and Business Relations

Based mainly on the Canadian literature, Murray and McMillan have drawn up a conceptual framework for theories of government and business relations. Five major schools of thought concerning the explanation of the characteristics of government and business relations have been identified.

- i) The general social structure and ideological context school (macro-perspective).
- ii) The interpretive school (values, attitudes, and beliefs of the concerned parties).

- iii) The failure-of-business school.
- iv) The failure-of-government school.
- v) The mechanism-of-interaction school.<sup>16</sup>

*The macro-perspective school.* The view taken by this school of thought is that the state of government and business relations is merely a by-product of the ideologies and structures of the prevailing social, economic and political institutions of a society. Its analysis can be divided into three sub-schools: Marxism, corporatism, and pluralism.

The classical Marxists<sup>17</sup> take the position that the relationship is strongly business-dominated and, on all important matters, the state takes the side of business. The essential reason this situation exists is due to the ownership of the means of production by the capitalist class. In contrast, Hegelean Marxists<sup>18</sup> tend to emphasise the effects of ideology, consciousness and legitimisation in shaping the ways the state favours business interests and lulls the rest of the society into accepting this situation. On the other hand, more recent Marxist-oriented writers<sup>19</sup> accept the

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<sup>16</sup>V.V. Murray and C.J. McMillan, "Business-Government Relations in Canada: A Conceptual Map," *Canadian Public Administration*, Vol.26, No.4 (Winter, 1983), p.595.

<sup>17</sup>Ibid., p.598. They referred to, for example, Nicos Poulantzas, *Political Power and Social Classes* (London: New Left Books, 1973); Michael Useem, "The Social Organization of the American Business Elite and Participation of Corporation Directors in the Governance of American Institutions," *American Sociological Review*, No.44 (1979), pp.553-572; and Maurice Zeithlin, "Corporate Ownership and Control: The Large Corporation and the Capitalist Class," *American Journal of Sociology*, No.79 (1979), pp.1073-1119. Also see R.L. Heilbroner, *The Nature and Logic of Capitalism* (New York: Norton, 1986); and G. Causer, "Private Capital and the State in Western Europe," in S.Giner and M.S. Archer, editors, *Contemporary Europe: Social Structures and Cultural Patterns* (London: Routledge & Kegan Paul, 1978).

<sup>18</sup>Loc.cit. They referred to, for example, Antonio Gramsci, *Selections from the Prison Notebooks of Antonio Gramsci*, edited by Quinton Hoare and Geoffrey Nowell-Smith (London: Lawrence and Wishart, 1971); and G. Lukacs, *History and Class Consciousness* (London: Merlin, 1971). For a classic piece of writing using this approach, see Charles E. Lindbolm, *Politics and Markets* (New York: Basic Books, 1977).

<sup>19</sup>Loc.cit. They referred to, for example, Claus Offe, "The Theory of the Capitalist State and the Problem of Policy Formulation," *German Political Studies* (London: Sage, 1973); and J. O'Conner,

apparent paradox of capitalist state institutions producing policies which clearly are not preferred by the business elite. These writers suggest that the inequities produced by the system ultimately activate a sufficient number of the masses who push elected officials into imposing regulations on business.

The corporatists<sup>20</sup> tend to characterise the overall relationship as one in which the apparatus of the state dominates a society and manages to persuade or coerce business into serving its ends without necessarily taking full formal control by such means as the nationalisation of industry. As Cawson put it: "The state is neither directive nor coupled to an autonomous private sphere, but is intermeshed in a complex which undermines the traditional distinction between public and private."<sup>21</sup> The essence of corporatism can be captured in terms of three concepts: intervention, intermediation (relationships that develop between the state and organised interests operating corporatist arrangements), and incorporation (the fact that organised interests in corporatist arrangements are necessarily drawn closer to the state).<sup>22</sup> The corporatist writers agree with the Marxists in seeing the situation as arising out of the changing structure of modern Western capitalism, in which business leaders prefer a situation of stability with minimum competition, government leaders want to stop wild fluctuations in prices and employment levels, and the labour force wants job

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*The Fiscal Crisis of the State* (New York: St. Martin's Press, 1973).

<sup>20</sup>Ibid., p.599. They referred to, for example, Michael Hughes, "Corporatism and Development: The State and Interorganizational Relations," paper presented at the Tenth World Congress of Sociology, Mexico City, 1982; R. E. Pahl and J. T. Winkler, "The Coming Corporatism," *Challenge* (March-April, 1975), pp.28-35; J. T. Mcleod, "The Changing Role of Government and the Drift toward Corporatism," *Business and Government in Canada: Selected Readings*, 2nd edition (Toronto: Methuen, 1976), pp.334-345; and P. Schmitter and G. Lehmbruck, editors, *Trends Toward Corporatist Intermediation* (London: Sage, 1979). Also see Andrew Cox and Noel O'Sullivan, editors, *The Corporate State: Corporatism and the State Tradition in Western Europe* (Hants: Edward Elgar, 1988); Wyn Grant, editor, *The Political Economy of Corporatism* (London: MacMillan, 1985); Gerhard Lehmbruch and Philippe C. Schmitter, editors, *Patterns of Corporatist Policy-Making* (London: Sage, 1982); and Arthur Selwyn Miller, *The Modern Corporate State: Private Government and the American Constitution* (Westport: Greenwood Press, 1976).

<sup>21</sup>A. Cawson, *Corporatism and Welfare* (London: Hienemann, 1982), p.66.

<sup>22</sup>Wyn Grant, *Business and Politics in Britain* (London: MacMillan, 1987), p.16.

security. As a result, all parties will come to acquiesce in a high level of government interference in the economy.

Lying between the two extremes of Marxism and corporatism, pluralists<sup>23</sup> take the view-point that there is a large variation in interest among a large number of parties who have some sort of connection with the issues that form the basis of business-government relationship. Therefore, the power balance between these parties is in constant fluctuation, sometimes favouring one side over another.<sup>24</sup>

The distinction between pluralism and corporatism in terms of interest intermediation identified by Schmitter is as follows:

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

Pluralism can be defined as a system of interest representation in which the constituent units are organized into an unspecified number of multiple, voluntary, competitive, nonhierarchically ordered and self-determined (as to type or scope of interest) categories which are not specially licensed, recognized, subsidized, created or otherwise controlled in leadership selection or interest articulation by the state and which do not exercise a monopoly of representational activity within their respective categories."<sup>25</sup>

*The interpretive school.* The writers<sup>26</sup> in this school tend to analyse the

<sup>23</sup>See, for example, R. E. Dahl, *A Preface to Democratic Theory* (Chicago: University of Chicago Press, 1956); and D. B. Truman, *The Governmental Process* (New York: A. A. Knopf, 1962).

<sup>24</sup>Murray and McMillan, *op.cit.*, p.599.

<sup>25</sup>Philippe C. Schmitter, "Still the Century of Corporatism?" in Philippe C. Schmitter and Gerhard Lehmbruch, editors, *Trends Toward Corporatist Intermediation*, *op.cit.*, p.13-15.

<sup>26</sup>See, for example, Isaiah A. Litvak, "The Ottawa Syndrome: Improving Business/Government Relations," *Business Quarterly*, Vol.44 (Summer 1979), pp.22-39; James Gillies, *Where Business Fails* (Montreal: Institute for Research on Public Policy, 1981); James Gillies, "Where Business Fails Revisited," in Murray, *op. cit.*, pp.143-158; and Donald H. Thain, "Canadian Management

determination of the state of government and business relations in terms of values, attitudes, and beliefs held by the parties concerned.<sup>27</sup> That is, the characteristics of the relationship are the reflection of these factors.

***The failure-of-business school.***<sup>28</sup> The viewpoint taken by the writers in this school is that greater control over business and anti-business policy results because of the lack of effort, knowledge, and skill on the part of the business community to deal with the government.<sup>29</sup>

***The failure-of-government school.*** A breakdown of government and business relations is seen by the writers<sup>30</sup> in this school as the fault of the government. This is because politicians, with the desire to stay in power, keep up their promises to voters by imposing greater control on business.<sup>31</sup>

***The mechanism-of-interaction school.*** Ignoring the structures and processes internal to each party, the writers<sup>32</sup> of this school emphasise the various mechanisms that govern who interacts with whom and when and how, as being the factors shaping the state of the relationship.<sup>33</sup>

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Crisis," *Business Quarterly*, Vol.46 (Winter, 1981), pp.61-75.

<sup>27</sup>Murray and McMillan, op. cit., pp.600-602.

<sup>28</sup>See, for example, Donald H. Thain, "The Mistakes of Business in Dealing with Politics and Government," *Business Quarterly*, Vol.44 (Autumn, 1979), pp.46-54; Gillies, *Where Business Fails*, op.cit.; and Gillies, "Where Business Fails Revisited," op.cit.

<sup>29</sup>Murray and McMillan, op. cit., pp.602-604.

<sup>30</sup>See, for example, Donald H. Thain, "The Mistakes of Government in Dealing with Business," *Business Quarterly*, Vol.44 (Winter, 1979), pp.22-29.

<sup>31</sup>Murray and McMillan, op. cit., pp.604-606.

<sup>32</sup>See, for example, I-Tjhih Tan, *Business-Government Relations in Southeast Asia: A Study of Singapore and Malaysia*, unpublished Ph.D. dissertation (New York University, 1972); and Joseph Badaracco, Jr., *A study of Adversarial and Cooperative Relations between Business and Government in Four Countries*, unpublished Ph.D. dissertation (Harvard University, 1981).

<sup>33</sup>Murray and McMillan, op. cit., pp.606-607.

In short, Murray and McMillan have distinguished between macro-level (Marxism, corporatism, and pluralism) and micro-level (interpretive, failure-of-business, failure-of-government, and mechanisms-of-interaction school) theories of government and business relations. However, the distinction between the macro- and micro-level of the analysis of the relationship was criticised by Burrell as not powerful enough to bring out some crucial differences in perspective. He argued that the conceptual unit of political and economic life could no longer be the nation-state and that the complex inter-relationships between societies in the contemporary world have to be understood rather in world system terms. He suggested that government and business relations are best seen in the context of the debate on corporatism.<sup>34</sup>

The implication of Burrell's statement that the study of the relationship should be on the basis of comparison between nations is acceptable since by comparing, some factors can be said to have shaped the relationship if it is found that different degrees of the same variable are associated with the differences in the relationship being compared. Nevertheless, the limitation of the comparative approach to a corporatist model will unnecessarily restrict its analytical scope as forms of government and business relations other than corporatist do exist.

On the other hand, Globerman and Schwindt criticised the "business policy approach" (another name for what Murray and McMillan described as the micro-level theories) as suffering from two major analytical shortcomings. First, it does not satisfactorily explain the persistence of poor communications between business and government. And second, it fails to define explicit criteria for evaluating what would constitute "good" government and business relations. They questioned the explanation of why inadequate or insufficient communication should persist if it reduces the benefits that private and public sector managers realise from their interaction; unless both sets of managers are ignorant of opportunities to promote their own interests, it does not seem plausible that this condition could persist indefinitely. On the second shortcoming, they suggested that a meaningful

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<sup>34</sup>Gibson Burrell, "Corporatism in Comparative Context," in Murray, *op.cit.*, pp.222-223.

assessment of government and business relations could only be made in a broad social context in which the interaction between business and government is linked to social-welfare criteria. They then proposed that a promising basis for this effort was provided by insights from the public choice literature, the model of which is that the interaction between the public and private sectors is characterised by knowledgeable legislators providing a service to specific constituents who are also knowledgeable, in order to win re-election.<sup>35</sup>

However, there are a few drawbacks in this proposition. First, the analysis of its approach finally comes down to the controversial question of corporate social responsibility, the definition and concept of which are still subject to disagreement.<sup>36</sup> For example, Friedman claimed that the only social responsibility of business is to maximise profits "within the rules of the game,"<sup>37</sup> while others such as Preston and Post offered public responsibility as a substitute for social responsibility and challenged the traditional understanding that "public policy is equal to law."<sup>38</sup> Second, the applicability of the public choice model is limited since its assumption that the constituents are knowledgeable does not hold in most developing countries. Finally, the usefulness of the approach is less immediate to the parties concerned than that of the business policy approach, especially to business managers because their primary concerns have more to do with commercial survival and competitiveness than with social welfare. The latter argument is what this research primarily aims to support.

In his literature review and preliminary research on government and business relations in Canada, Bartha also came across a question similar to that raised earlier

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<sup>35</sup>Steven Globerman and Richard Schwindt, "Toward a Synthesis and Test of Hypotheses," in Murray, op.cit., pp.243-264.

<sup>36</sup>For more details see Steven L. Wartick and Philip L. Cochran, "The Evolution of the Corporate Social Performance Model," *Academy of Management Review*, Vol.10, No.4 (1985), pp.758-769.

<sup>37</sup>M. Friedman, *Capitalism and Freedom* (Chicago: University of Chicago Press, 1962), as quoted by Wartick and Cochran, op.cit., p.759.

<sup>38</sup>L. E. Preston and J. E. Post, "Private Management and Public Policy," *California Management Review*, Vol.23, No.3 (1981), pp.56-65, as quoted by Wartick and Cochran, op.cit., p.761.



by Globerman and Schwindt concerning the persistence of the poor state of government and business relations. He put it this way:

"There is an apparent contradiction here... CEOs today are politically alert and aware; many of them are active on public platforms as advocates of strategic, as opposed to ad hoc, approaches to governmental and societal issues. But the evidence suggests that awareness at the top is not translated into corresponding commitment and action in corporations."<sup>39</sup>

He offered a tentative explanation stating that from the CEO's perspective there are two distinct aspects of business-government (and business-society) relationship: systemic and competitive. At the systemic level are the macro-issues of public policy that collectively affect all members of a community, while at the competitive level are the micro-concerns that individually influence a firm or a business unit in relation to its competitors. He then hypothesised that CEOs are unable or unwilling to accept individual responsibility for dealing with collective problems and consequently defer it to such collective units as industrial trade associations. At the competitive level, pragmatic business considerations, as against ideology, dominate the interaction process and a good relationship is defined as one which bestows competitive advantages on the firm, regardless of what is happening in the macro-environment. He argued that the tendency of chief executives to focus their attention on immediate issues and overlook the long-term systemic conditions is due to their lack of understanding of how in the long run social developments influence the government.<sup>40</sup>

One of the implications which can be drawn from his hypothesis is that the concept of social responsibility is irrelevant to the reality of business operation because when a firm acts, the action is aimed more towards gaining competitive advantages over its competitors.

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<sup>39</sup>Peter F. Bartha, "Organizational Competence in Business-Government Relations: A Managerial Perspective," *Canadian Public Administration*, Vol.28, No.2 (Summer, 1985), pp.206-207.

<sup>40</sup>*Ibid.*, p.208.

Moreover, three sources which impede the integration of socio-political factors into corporate planning are also identified in his hypothesis. First, the techniques available for assessment of a firm environment do not give quantifiable information suitable for complicated corporate planning models. Second, prevailing organisational structures hinder effective communication between evaluators of socio-political events and corporate planners. And third, the formal planning process itself is under increasing scrutiny and its usefulness seriously questioned.<sup>41</sup> These explanations may help answer the question raised earlier by Globerman and Schwindt concerning the persistence of inadequate and inefficient communication between government and business.

In contrast, Grant explained the unsatisfactory state of government and business relations by arguing that collectively, business can be economically strong but politically weak. Referring to Britain, he suggested that there is an increasing concentration of economic power in the business sector, but that the sector remains politically weak and unable to get its political act together. This situation makes it difficult for the government to enter into a partnership relationship with business even if it wanted to.<sup>42</sup>

Similarly, Truman, in his classic work in capitalism, stated that economic power can be converted into political power only at a discount, variable in size.<sup>43</sup>

***The industrial adaptation school.*** This is another school of thought in the macro-level theories. The literature discussed in this school is mainly based on the

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<sup>41</sup>Ibid., pp.208-213.

<sup>42</sup>Grant, *Business and Politics in Britain*, op.cit., p.8. He supported the political weakness of business by quoting evidence from C. Leys, "Thatcherism and British Manufacturing: A Question of Hegemony," *New Left Review*, No.151 (1985), pp.5-25; W. A. Brown, "Comments," in F. Cairncross, editor, *Changing Perceptions of Economic Policy* (London: Methuen, 1980); A. Tylecote, *The Causes of the Present Inflation* (London: MacMillan, 1981); and J. P. Nettl, "Consensus and Elite Domination: The Case of Business," *Political Studies*, Vol.8 (1965), pp.22-44.

<sup>43</sup>Truman, op.cit., p.258.

cases of Western European countries and Japan.<sup>44</sup> A representative example of this literature is that discussed by Wilks and Wright. Their view is that the theories pertinent to the relationship between government and business are best seen in the context of industrial adaptation. The most widespread and influential theoretical explanation for variation in government intervention in the process of industrial adaptation centres on an interpretation of the role of the state in society. The argument is that political history has shaped state forms and economic history has shaped the roles of states in industrial development.<sup>45</sup>

Dyson distinguishes between "state" and "state-less" societies. State societies, for example, Germany, France and Japan, are marked by a deference to the authority of state organs and implicitly therefore, intervention if desired is regarded as a legitimate use of public authority. In contrast, in stateless societies like the United States and Britain, there is widespread scepticism over the ability or right of government to provide industrial leadership.<sup>46</sup>

Another version of this cultural and historical approach is that of Gerschenkron. He suggested that the later a country industrialises, the more important and assertive the role of the state must be in facilitating industrialisation.<sup>47</sup> For example, the early

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<sup>44</sup>For a literature review of government and business relations in Great Britain see, for example, Stephen Wilks, "Government-Industry Relations: A Review Article," *Policy and Politics*, Vol.12, No.4 (1986), pp.491-505; D. Steel, "Review Article: Government and Industry in Britain," *British Journal of Political Science*, Vol.12, pp.449-503; and S. Young, *An Annotated Bibliography on Relations between Government and Industry in Britain 1960-82* (London: Economic and Social Research Council, 1984), 2 volumes. For Japan see, for example, Richard Boyd, *Government and Industry in Japan: A Review of the Literature* (London: Economic and Social Research Council, 1986). For continental European countries see, Stephen Wilks and Maurice Wright, editors, *Comparative Government-Industry Relations: Western Europe, the United States, and Japan* (Oxford: Clarendon Press, 1987); P.R. Beije et al., editors, *A Competitive Future for Europe?: Towards a New European Industrial Policy* (London: Croom Helm, 1987); Graham Hall, editor, *European Industrial Policy* (London: Croom Helm, 1986); and Alexis Jacquemin, *European Industry: Public Policy and Corporate Strategy* (Oxford: Clarendon Press, 1984).

<sup>45</sup>Wilks and Wright, op.cit., p.277-278.

<sup>46</sup>K. Dyson, *The State Tradition in Western Europe* (Oxford: Martin Robertson, 1980), as quoted by Wilks and Wright, op.cit., p.279.

<sup>47</sup>This view is also held by A. Cawson in his *Corporatism and Welfare*, op.cit., pp.65-67.

industrialisers such as the United States and Britain experienced a market-led, company-dominated industrial revolution in which the role of government was minimal, while later industrialisers such as France and Japan relied upon the government's positive role in industrial activity, and intervention by the state was regarded as necessary and legitimate.<sup>48</sup>

Similarly, Katzenstein and Krasner suggested that variations in industrial adaptation can be explained essentially by features which generate "strong" and "weak" states. Britain and the United States are weak states marked by liberal traditions, and national attitudes which strongly reject any need for the state to intervene extensively in the market. France and Japan, by contrast, are strong states with authoritarian traditions, and government intervention is regarded as the natural order of things.<sup>49</sup>

However, the typology of weak and strong states is rejected by Zysman as too aggregate. He offered an alternative model in which the structure of the national financial system would be an autonomous influence on the political relationship between business and government. Three types of financial systems and three models of industrial change were identified: first, a state-led type, where a credit-based, price-administered financial system allows bureaucrats to intervene pervasively in industrial activities, for example France and Japan; second, a company-led type, where extensive and efficient capital markets allow companies autonomy and deny officials any effective avenue of influence, for example the United States; and third, a tripartite-bargained type, where adjustment is achieved in a financial system marked by institution-led or bank-dominated capital markets, for example West Germany and Sweden. Britain is marked by a failure to make a choice.<sup>50</sup>

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<sup>48</sup>A. Genschekron, *Economic Backwardness in Historical Perspective* (Cambridge: Harvard University Press, 1962), as quoted by Wilks and Wright, op.cit., p.280.

<sup>49</sup>Z.P. Katzenstein, editor, *Between Power and Plenty: Foreign Economic Policies of Advanced Industrial States* (Cambridge: Harvard University Press, 1978), as quoted by Wilks and Wright, op.cit., p.282.

<sup>50</sup>J. Zysman, *Government, Markets and Growth: Financial Systems and the Politics of Industrial Change* (Oxford: Martin Robertson, 1983), as quoted by Wilks and Wright, op.cit., pp.284-289.

Wilks and Wright criticised those theories of industrial adaptation mentioned above as having the following weaknesses. First, there is some empirical evidence in which the direction of influence runs counter to what the theories would suggest.<sup>51</sup> Second, the theories fail to take into account a variety of informal relationships which operate by reference to their own, possibly selfish, logic and do not necessarily operate as instruments of either government or industry. Third, the assumption of these theories of a monolithic or consistent bureaucratic influence on government and business relations does not hold in reality.<sup>52</sup>

In addition to Wilks' and Wright's reasoning, it can be argued that such theories of industrial adaptation and the macro-perspective school of thought (Marxism, corporatism, and pluralism) identified earlier by Murray and McMillan, simply fail to recognise that the business-government relationship itself is neither monolithic nor homogeneous. In other words, within a country, relationships in different sectors of the economy may differ. Moreover, relationships within a single sector may vary over time or contain both cooperative and adversarial elements at the same time, depending on a particular issue.

#### 1.4 TRENDS IN RESEARCH ACTIVITIES

The distinction between the approach and the level of analysis has to be recognised in identifying the trends of current research activities into government and business relations. The approach used is empirical and comparative, while the level of analysis tends to emphasise the micro-perspective of government and business relations.

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<sup>51</sup>They cited Alan Cowson et al., "The Interaction between Firms and the State in France: The Telecommunications and Consumer Electronics Sectors," in Wilks and Wright, *op.cit.*, pp.10-34; Wyn Grant et al., "Government-Industry Relations in the Chemical Industry: An Anglo-German Comparison," in Wilks and Wright, *op.cit.*, pp.35-60; and David Vogel, "Government-Industry Relations in the United States: An Overview," in Wilks and Wright, *op.cit.*, pp.91-116.

<sup>52</sup>Wilks and Wrights, *op.cit.*, pp.284-289.

### 1.4.1 Empirical and Comparative Approaches

Rather than basing their evidence mainly on documentary data<sup>53</sup> (as was usually done before), recent researchers are more likely to rely on fresh empirical data in discussing the congruence of values dimension of government and business relations. For example, Jenner surveyed the attitudes and beliefs of managers in the United Kingdom, the United States, and Australia towards the role of government in relation to private business. He found that managers tended to agree that government leaders should be trained in business and sympathetic to its cause; however, UK respondents were significantly less likely to agree. The Australian managers agreed most strongly, even though they also believed in the market mechanism. Unexpectedly, US managers rejected the proposition that government competition with private enterprise is unfair and should be eliminated. Contrary to his expectations, UK managers were the group most strongly opposed to government intervention; however, all groups tended to agree with the intervention.<sup>54</sup> Even though Jenner had brought the comparative ideological differences into perspective, he did little to explain the variations in attitudes, which task is primary to a comparative study.

Claiming that empirical research in government and business relations was still scarce, Islam and Ahmed conducted a survey on the comparative background and characteristics of business managers and federal government officials in Canada, and on the extent of interaction in their relationship. They found that the two groups seemed to be fairly similar in terms of age, social class origin, academic training and personality profile. While government officials exhibited a greater degree of understanding of the other sector's work and tended to give more importance to the

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<sup>53</sup>See, for example, John Turner, editor, *Businessmen and Politics: Studies of Business Activity in British Politics, 1900-1945* (London: Heinemann, 1984); Tom Traves, *The State and Enterprise: Canadian Manufacturers and the Federal Government, 1917-1931* (Toronto: University of Toronto Press, 1979); and Leonard Tivey, *The Politics of the Firms* (Oxford: Martin Robertson, 1978).

<sup>54</sup>Stephen R. Jenner, "The British Roots of Business Ideology," *Journal of General Management*, Vol.10, No.1 (Autumn, 1984), pp.51-52.

government and business relations function, business managers showed less experience of the government sector's work and the function was likely to be the responsibility of upper levels of management rather than the middle level as in the government sector.<sup>55</sup>

Thus, Islam and Ahmed's findings challenged the claim made by Litvak whose survey (1978) of 30 CEOs and 30 deputy ministers in Canada indicated that there was a deep gulf or division in "personal and personnel" terms between the public and private sectors to which, he suggested, many of the basic problems affecting government and business relations could be attributed. He added that important decisions were being made by public servants with little experience in the private sector.<sup>56</sup> However, Islam and Ahmed said that the difference between their data set (based on 132 and 183 middle, upper-middle and some top managers from a cross-section of business and public organisations respectively) and that of Litvak may account for the conflicting results.<sup>57</sup>

In their survey in 1984, Taylor and Murray studied the comparative attitudes of Canadian business leaders and senior federal public officers toward the present state of government and business relations and what they believed to be the determinants of the relationship. The findings were that business leaders believed that their relationship with government had deteriorated, and that government had become too left-wing in its policies and intervened too often and in the wrong way in the economy. Government respondents, while sharing these feelings, did not agree to the same extent. The survey also showed that the two groups disagreed to a certain extent over the identification of the root problems. Business respondents saw them as embedded in various failures within the government while government leaders attributed the causes to certain characteristics built into the business leader's role in

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<sup>55</sup>Nasir Islam and Sadrudin A. Ahmed, "Business Influence on Government: A Comparison of Public and Private Sector Perceptions," *Canadian Public Administration*, Vol.27, No.1 (Spring, 1984), pp.87-101.

<sup>56</sup>Isaiah A. Litvak, "The Ottawa Syndrome: Improving Business/Government Relations," *Business Quarterly*, Vol.44, No.2 (Summer, 1979), p.24.

<sup>57</sup>Islam and Ahmed, op.cit., p.93.

society- an explanation which business tended to reject. However, the two sides tended to agree that the structures and processes of their interaction with each other had been inadequate, which resulted in a general failure to communicate. Consequently, Taylor and Murray suggested that any improvement of the relationship would have to do with the reform of the mechanisms of interaction between business and government.<sup>58</sup> The implication of their suggestion is that further research should approach the relationship from the mechanism-of-interaction school of thought. This is, in fact, the approach used in this research, as will be discussed later on.

While other researchers investigated the role of government in the economy, Brenner studied the role of business in the political process. He found from his survey in 1978 that American managers thought that businessmen's political activities had increased but were not much more effective than they had been 10 years before. While the managers saw their political role as legitimate participation, the public viewed it as illegitimate infiltration.<sup>59</sup>

Considerable research activity has also been devoted to predicting or drawing a picture of government and business relations in the future with the objective that managers would be better prepared to deal with an unpredictable environment or with government regulations. Thain and Baetz's survey in 1979 found that Canadian managers thought the extent of government involvement in their industries at that time was high and likely to increase over the next five years, thus posing a serious problem for the industries.<sup>60</sup> O'Toole's results (published in 1979) from using the delphi method indicated that future government and business relations in the United States up to the late 1980s would see no radical change in the freedom of business to

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<sup>58</sup>D. Wayne Taylor and Victor V. Murray, "An Interpretive Understanding of the Non-Fulfillment of Business-Government Relations," *Canadian Public Administration*, Vol.30, No.3 (Fall, 1987), pp.421-431.

<sup>59</sup>Steven N. Brenner, "Business and Politics -An Update," *Harvard Business Review* (November-December, 1979), pp.149-163.

<sup>60</sup>Donald H. Thain and Mark Baetz, "Increasing Trouble Ahead for Business-Government Relations in Canada?" *Business Quarterly*, Vol.44, No.2 (Summer 1979), pp.56-65.



produce goods and services profitably or efficiently, and that the government would probably initiate fewer new controls.<sup>61</sup>

In contradiction to O'Toole's results, Fleming's results (published in 1979), also from the delphi research method, claimed that the federal government would play an increasingly active and important role in the regulation of business over the next 20 years. However, his results suggested the same as O'Toole's results, that there would be no drastic changes in the structure of or major discontinuities in institutional relationships.<sup>62</sup>

A comparative approach was also used by several researchers in studying government and business relations in Western European countries and Japan.<sup>63</sup> For example, Badaracco studied the adversarial and cooperative relationships between business and government in four countries: the United States, Great Britain, France and West Germany. Basing his study on the interaction between chemical companies and the government in the four countries, he found that the characteristics of each relationship, for example, the decision-making process and the interface, were mutually coherent and internally consistent. In other words, no characteristic taken alone was either a necessary or sufficient condition for an adversarial or cooperative relationship.<sup>64</sup> His findings tended to support the macro-perspective theory that the characteristics of the relationships between business and government in the four

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<sup>61</sup>James O'Toole, "What's Ahead for the Business-Government Relationship," *Havard Business Review* (March-April, 1979), pp.94-105.

<sup>62</sup>John E. Fleming, "The Future of U.S. Government-Corporate Relations," *Long Range Planning*, Vol.12 (August, 1979), pp.20-26.

<sup>63</sup>See, for example, Wyn Grant et al., *Government and the Chemical Industry: A Comparative Study of Britain and West Germany* (Oxford: Clarendon Press, 1988); Francois Duchene and Geoffrey Shepherd, editors, *Managing Industrial Change in Western Europe* (London: Francis Pinter, 1987); Ilja Scholten, editor, *Political Stability and Neo-Corporatism: Corporatist Integration and Societal Cleavages in Western Europe* (London: Sage, 1987); Alan Peacock, editor, *The Regulation Game: How British and West German Companies Bargain with Government* (Oxford: Basil Blackwell, 1984); Peter Maunder, editor, *Government Intervention in the Developed Economy* (London: Croom Helm, 1979); Wilks and Wright, op.cit.; Beije et al., op.cit.; Hall, op.cit.; and Jacquemin, op.cit.

<sup>64</sup>Badaracco, op.cit.

countries are compatible with their respective cultural and historical backgrounds.

A comparative study by Vogel of environmental regulation in Britain and the United States suggested that business was much more of an "insider" in the policy-making process in Britain. While the American business participation in policy-making largely involved lobbying, an activity directed from outside the place where policy decisions were made, the British industry was an active and officially recognised participant in the policy process itself.<sup>65</sup>

Finally, as one of a very small body of extensive research into government and business relations in less industrially advanced countries, Tan's study of the relationship in Singapore and Malaysia found that the extent of interaction between business and government, the roles played by business executives, the modes of interaction, and the initiation of interaction were affected, for example, by the size of companies, the country of origin of the companies, and the nature of the business, and that the level of interaction between business executives and government officials appeared to be higher in Malaysia than in Singapore.<sup>66</sup>

#### 1.4.2 Micro-Perspective Analysis

There is also a certain amount of literature and research activity which emphasises the micro-perspective of the relationship between business and government, in particular, the internal organisation of a business and its process for dealing with the external environment, with government regulations, and other relevant socio-political issues. The studies in these research activities range from a broad topic like "corporate social performance" to narrower topics like "public affairs function," "issues management," and "corporate political strategies."

*Corporate social performance.*<sup>67</sup> In order to keep governmentally imposed

<sup>65</sup>David Vogel, *National Styles of Regulation; Environmental Policy in GB and the US* (Ithaca: Cornell University Press, 1986), as quoted by Grant, *Business and Politics in Britain*, op.cit., p.6.

<sup>66</sup>Tan, op.cit.

policies to a minimum, the central proposal of this school is that large, prominent companies should voluntarily decide to act in a "socially responsible" way. After tracing the evolution of the corporate social performance model, Wartick and Cochran synthesised three dimensions of the model: social responsibility; social responsiveness which provides the approach to realising social responsibility; and social issues management which is the method by which companies generate social responsiveness (see Table 1-2). They suggested that the model would be a paradigm for the study of business and society.<sup>68</sup>

**Table 1-2: Corporate Social Performance Model**

<b>Principle</b>	<b>Process</b>	<b>Policies</b>
Corporate Social Responsibilities	Corporate Social Responsiveness	Social Issues Management
1. Economic 2. Legal 3. Ethical 4. Discretionary	1. Reactive 2. Defensive 3. Accomodative 4. Proactive	1. Issues Identification 2. Issues Analysis 3. Response Development
Directed at: 1. The Social Contract of Business 2. Business as a Moral Agent	Diredted at: 1. The Capacity to Respond to Changing Societal Conditions 2. Managerial Approaches to Developing Responses	Directed at: 1. Minimising "Surprises" 2. Determining Effective Corporate Social Policies
Philosophical Orientation	Institutional Orientation	Organisational Orientation

Source: Steven L. Wartick and Philip L. Cochran, "The Evolution of Corporate Social Performance," *Academy of Management Review*, Vol.10, No.4 (1988), p.767.

<sup>67</sup>A resourceful compilation of research in this area has been done in Lee. E. Preston, *Research in Corporate Social Performance and Policy* (Greenwich: JAI Press), Vol.1 (1978), Vol.2 (1980), Vol.3 (1981), Vol.4 (1982). Also see S. Prakash Sethi, "A Conceptual Framework for Environmental Analysis of Social Issues and Evaluation of Business Response Patterns," *Academy of Management Review*, Vol.4, No.1 (1979), pp.63-74.

<sup>68</sup>Wartick and Cochran, op.cit., pp.758-769.

**Public affairs function.** Post and others claimed that there are three main functions performed by the public affairs unit: collecting and providing social and political intelligence coming from the firm's environment; executing external action programmes; and communicating to management and employees about the firm's environment. Its objective is to narrow the gap between corporate practice and public expectations by functioning as a "window out" through which management can comprehend the social and political environment and a "window in" through which the relevant external constituencies can understand the organisation.<sup>69</sup>

Recent research efforts have concentrated on surveying the growth of public affairs units, their scope and dimensions, the activities performed by a public affairs unit, and its relationship with and integration into corporate planning. The main impression given by this literature is that there was a big increase in public affairs units in the 1970s in the United States. Their activities had been extended to include, among other things, the management of government relations instead of being limited to traditional public/community relations as in the past; and the relation between the public affairs function and corporate planning was rather firm-specific, depending on the internal organisation and environmental characteristics of a firm.<sup>70</sup>

**Issues management.**<sup>71</sup> There are two contexts into which issues management is

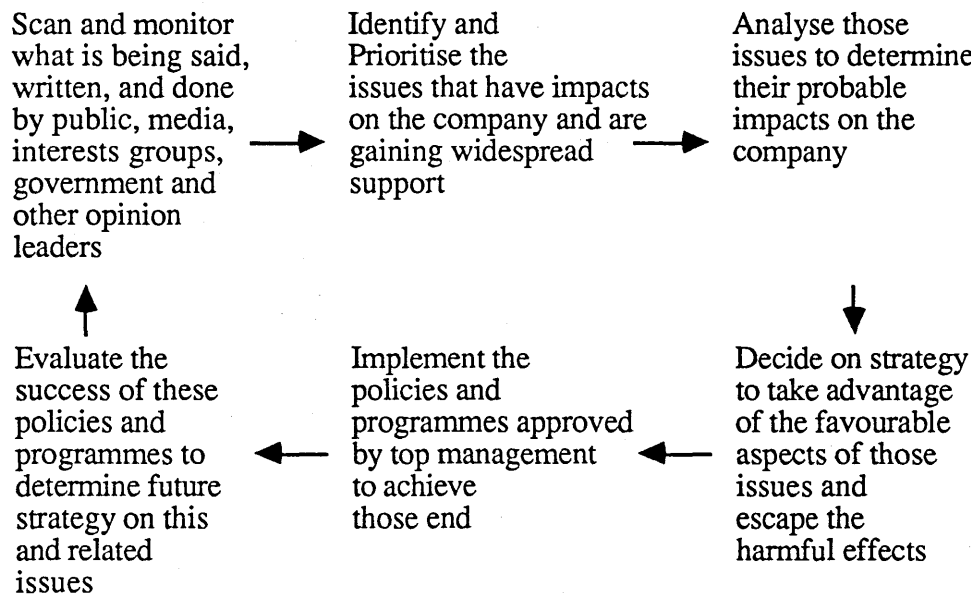
<sup>69</sup>James E. Post et al., "Managing Public Affairs: The Public Affairs Function," *California Management Review*, Vol.XXVI, No.1 (Fall, 1983), pp.135-150.

<sup>70</sup>See James E. Post et al., "The Public Affairs Function in American Corporations: Development and Relations with Corporate Planning," *Long Range Planning*, Vol.15, No.2 (April, 1982), pp.12-21; James E. Post et al., "Managing Public Affairs: The Public Affairs Functions," *California Management Review*, Vol.XXVI, No.1 (Fall, 1983), pp.135-150; Robert B Dickie, "Playing the Government Relations Game: How Companies Manage," *Journal of Contemporary Business*, Vol.10, No.3, pp.105-118; Barry D. Baysinger and Richard W. Woodman, "Dimensions of the Public Affairs/Government Relations Functions in Major American Corporations," *Strategic Management Journal*, Vol.3 (1982), pp.27-41; Thomas G. Marx, "Integrating Public Affairs and Strategic Planning," *California Management Review*, Vol.XXIX, No.1 (Fall, 1986), pp.141-147; and John E. Flemming, "Linking Public Affairs with Corporate Planning," *California Management Review*, Vol.XXIII, No.2 (Winter, 1980), pp.35-43.

<sup>71</sup>For details of the evolution of issues management, see Charles J. McMillan and Victor V.

fitted: the corporate social performance model, as mentioned earlier, and the public affairs function. In the public affairs function, issues management is seen as a way of integrating anticipated public policy issues into the corporate decision-making process.<sup>72</sup> It involves 6 steps: scanning, identifying, analysing, deciding, implementing, and evaluating (see Figure 1-4). The fundamental purpose of issues management, be it public issues management, strategic issues management or social issues management, is to minimise surprises from a firm's environment.<sup>73</sup>

**Figure 1-4: Framework for Issues Management**



Source: Adapted from Jon Johnson, "Issue Management -What Are the Issues: An Introduction to Issues Management," *Business Quarterly*, Vol.48 (Fall, 1983), p.23.

Murray, "Strategically Managing Public Affairs: Lesson from the Analysis of Business-Government Relations," *Business Quarterly*, Special Supplement: Managing Business-Government Relations in Canada, Vol.48, No.25 (1983), pp.94-100; and Steven L. Wartick and Robert E. Rude, "Issues Management: Corporate Fad or Corporate Function?" *California Management Review*, Vol.XXIX, No.1 (Fall, 1986), pp.124-140.

<sup>72</sup>Charles B. Arrington, Jr. and Richard N. Sawaya, "Managing Public Affairs: Issues Management in an Uncertain Environment," *California Management Review*, Vol.XXVI, No.4 (Summer, 1983), p.23.

<sup>73</sup>Jon Johnson, "Issues Management -What are the issues?" *Business Quarterly*, Vol.48 (Fall, 1983), pp.22-31.

The theme of research efforts into issues management is similar to that of research efforts into the public affairs function. It concentrates on the use or practice of issues management and its relation with strategic planning. However, the research is at an early stage and most of the empirical work is based on case studies.<sup>74</sup>

*Corporate Political Strategies.*<sup>75</sup> Useem identified and distinguished three levels of corporate political behaviour: actions by separate companies, by sectoral trade associations, and by the corporate community as a bloc.<sup>76</sup> Table 1-3 illustrates a range of political actions that can be taken by an individual company. Political programmes through trade associations are, for example, lobbying legislators and government agencies, and running programmes to improve the image of the industry. Finally, class-wide political action, a less visible activity, can be described as a network of corporations acting together in their collective interests.

Research efforts have been made to study the impact of various stages of public policy on corporate political strategy, the effectiveness of various types of political strategy such as "political entrepreneurial strategy", and various sets of political strategies employed by different business organisations to influence the legislative process.<sup>77</sup>

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<sup>74</sup>See William P. Ehling and Michael B. Hesse, "Use of 'Issue Management' in Public Relations," *Public Relations Review*, Vol.9 (Summer, 1983), pp.18-35; Wartick and Rude, op.cit.; Arrington and Sawaya, op.cit.; and Stephen E. Littlejohn, "Competition and Cooperation: New Trends in Corporate Public Issue Identification and Resolution," *California Management Review*, Vol.XXIX, No.15 (Fall, 1986), pp.109-123.

<sup>75</sup>For a more detailed literature review on the political activity of business, see Edwin M. Epstein, "Business Political Activity: Research Approaches and Analytical Issues," in Lee. E. Preston, editor, *Research in Corporate Social Performance and Policy*, Vol.2 (Greenwich: JAI Press Inc., 1980), pp.1-55.

<sup>76</sup>Michael Useem, "Political, Business and Social Theory: Company, Trade Association, and Classwide Business Political Action," in Murray, op.cit., pp.207-209.

<sup>77</sup>See Arich A. Ullmann, "The Impact of the Regulatory Life Cycle on corporate Political Strategy," *California Management Review*, Vol.XXVIII, No.1 (Fall, 1985), pp.140-154; David B. Yoffie and Sigrid Bergenstein, "Creating Political Advantage: The Rise of the Corporate Political Entrepreneur," *California Management Review*, Vol.XXVIII, No.1 (Fall, 1985), pp.124-139; and

**Table 1-3: Company Actions Designed to Influence Political Processes**

Company Action	Intended Political Impact
Issues and advocacy advertising	Primarily to shape views of opinion leaders; secondarily to influence public opinion
Contribution programmes	Primarily to enhance reputation of the firm; secondarily to improve image of business
Political action committee (PAC)	Promote candidates for federal and federal electoral office
Public affairs and lobbying	Shape legislation and agency policies affecting the firm
Management involvement in politics	Improve company awareness of political environment; alter state and national legislation

Source: Michael Useem, "Political Business and Social Theory: Company, Trade Association, and Classwide Business Political Action," in Murray, editor, op.cit., p.209.

### 1.5 WHAT WILL THIS RESEARCH ACHIEVE BEYOND THE PRESENT LITERATURE?

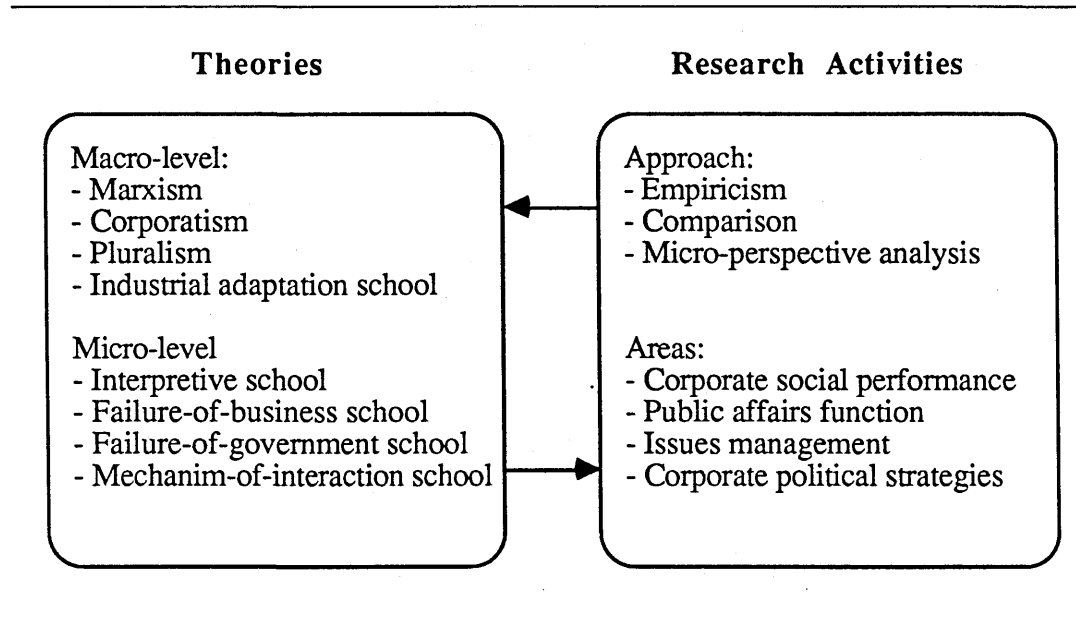
Following the discussion of the literature and research activities, it is now appropriate to identify how this research plans to further the present state of knowledge of government and business relations. A total of six schools of thought was identified earlier: first, the general social structure and ideological context school; second, the interpretive school; third, the failure-of-business school; fourth, the failure-of-government school; fifth, the mechanism-of-interaction school; and sixth, the industrial adaptation school (see Figure 1-5). The trends of current research activities -the empirical and comparative approach and the micro-perspective analysis- are certainly welcome since empirically-uninformed theories should be grounded and tested by research data, associated links or even causal relationships between

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John C. Aplin and W. Harvey Hegarty, "Political Influence: Strategies Employed by Organization to Impact Legislation in Business and Economic Matters," *Academy of Management Journal*, Vol.23, No.3 (1980), pp.438-450.

variables can be established by comparative study, and micro-analysis generates more relevant and applicable knowledge.

**Figure 1-5: Summary of Theories of Business-Government Relationship and Current Research Activities**



However, the research trend itself is not enough to indicate the direction which further investigation should take. The answer to the question, "What is the purpose of the study of government and business relations?" and recognition of the neglected research areas, should finally indicate the direction of further investigation.

### 1.5.1 Purpose of the Study of Business-Government Relationship

The answer to the question as to what the usefulness of knowledge about government and business relations is, is of course, subjective. Being totally unaware or only slightly aware of this subjectivity when criticising others' theories, two authors may argue against each other without knowing that each of them may be right. For example, the macro-level theories, which provide an understanding of how the relationship is shaped by economic, political, and social systems, may be criticised by



the business-policy approach as falling short of giving managers any guidelines for handling their interaction with the government. On the other hand, the micro-level theories, which indicate for instance ways in which public policy can be influenced by business managers, may be criticised by the macro-level theories as failing to relate the business-government relationship to the society as a whole.

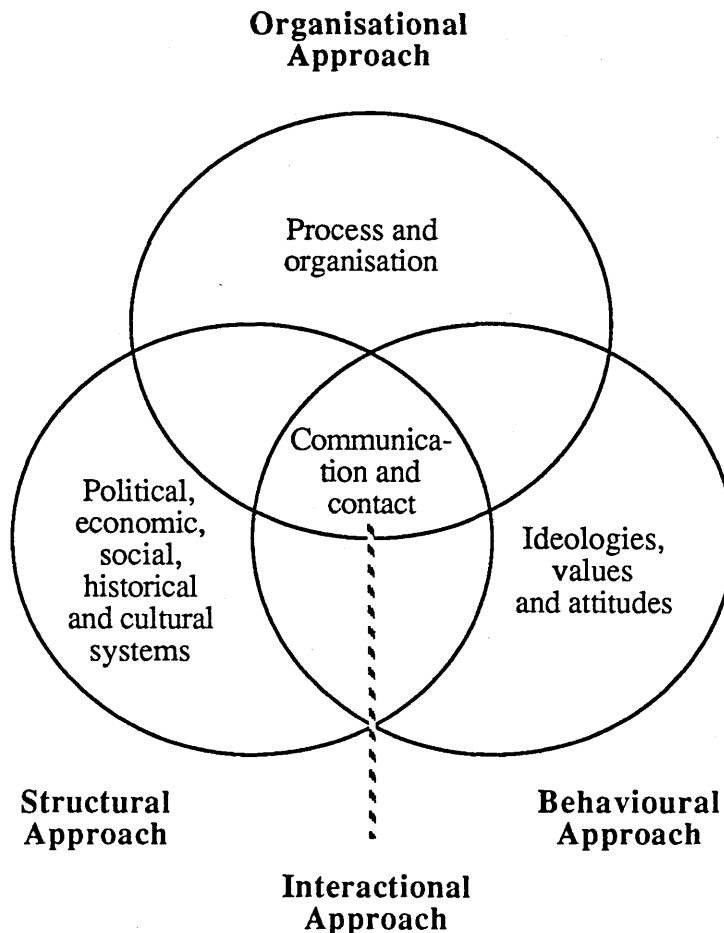
To avoid such a situation, the presumption of this research concerning the usefulness of knowledge about government and business relations should be made clear first. The presumption is that the study of the relationship should offer managers, both public and private, or any parties concerned, information which will enable them to manage or handle better the strains, tensions, or even conflicts occurring in the process of their interaction. The terms "manage or handle" as against "alleviate or eliminate" are used here because the level of strain, tension, or conflict wanted is unknown and tends to depend on the specific issue concerned. This research would rather disagree with those writers who suggest that such a study should aim at indicating ways of improving government and business relations. The term "improving" is not applicable since the criteria of a "good" or a "bad" relationship are still not agreed, and therefore, it is rather difficult to identify what constitutes the desirable relationship at which the improvement aims.

### **1.5.2 Weaknesses in the Literature**

With the presumption that the purpose of the study of government and business relations is to create a better informed management of government and business interaction, it is now possible to identify what are the weaknesses in the literature.

Figure 1-6 shows the literature discussed earlier but viewed from another framework. In this framework, the literature is grouped according to the approaches used rather than the level of analysis as discussed previously.

**Figure 1-6: Approaches to the Analysis of Business-Government Relationship**



*The structural approach.* The structural approach tends to look at the collective structural variables, for example, political, economic, social, historical, and cultural systems, as factors shaping the relationship. Examples of the theories using the structural approach are those identified earlier by Murray and MacMillan as the macro-perspective school of thought and the industrial adaptation theories identified by Wilks and Wright. This approach gives the least useful information in terms of the management of business-government relationship since its society-level variables are beyond the influence of private managers or public administrators. Nonetheless, it gives the managers and administrators an understanding of the context in which they

interact.

***The behavioural approach.*** The behavioural approach emphasises the sociological variables, for example, attitudes, values, and beliefs, as factors shaping government and business relations. An example of the theories using this approach is the interpretive school. The information given by this approach tells managers and administrators about the kind of mental predisposition with which they are dealing. However, the likelihood of successful management of government and business interaction by influencing attitudes, values, or beliefs is small, especially when the interaction is at the intelligent, managerial level.

***The organisational approach.*** The organisational approach emphasises the internal processes and organisation of companies and government agencies as factors shaping their relationship. Examples of the theories using this approach are the failure-of-business school and the failure-of-government school. The information given by this approach tells managers and administrators how they should be internally organised in dealing with interaction and how the actions affect their relationship. However, it provides managers with few objectives at which they should aim in the interaction, for example, who should be contacted, how and when.

***The interactional approach.*** The areas common to any two approaches shown in Figure 1-6 constitute the hybrid approach which emphasises variables belonging to more than one approach at the same time. In fact, this is the approach most authors use in analysing government and business relations; few are committed to one single approach. However, it is the "interactional approach," the area common to the previous three approaches, which is used in this research. An example of the theories using the interactional approach is the mechanism-of-interaction school. The main variables are the communication and contact between business and government. These variables, taken as the reflection of the variables of the other three approaches,

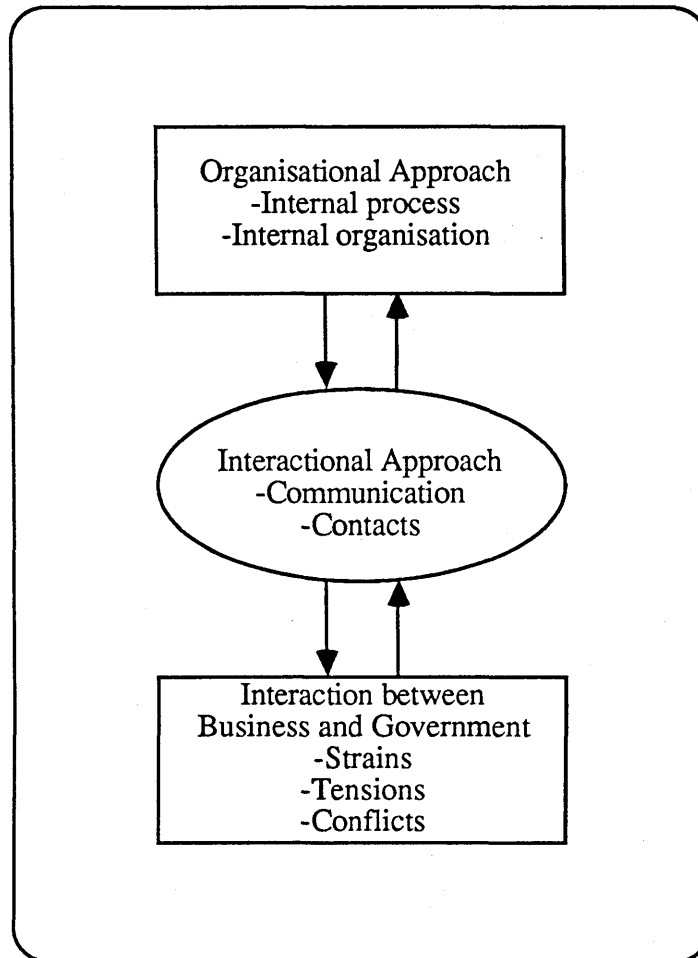
are emphasised as factors shaping the relationship. The approach readily provides the framework of objectives for private managers and public administrators in handling interaction. They handle and manage the strains, tensions and conflicts in the relationship by deciding, for instance, how much communication there should be, who should be contacted and how.

*Theoretical gap.* One of the major weaknesses in the literature is that little research has been done using the interactional approach. The theories of government and business relations, such as those of the macro-perspective and industrial adaptation schools, originated mainly from studies in political science, economics, and sociology. Theoretically, these studies produce inaccurate macro-level description of the relationship, and practically, generate information which is of limited use to private managers and public administrators. The nature of the relationship between government and business tends to vary from one issue or industry to another; it is neither always adversarial nor completely cooperative as often portrayed by macro-level theories. In addition, insights given by macro-level theories, for example, that the later a country industrialises, the greater the role of the state in the economy becomes, are of little help to public administrators and private managers in dealing with each other.

Even though there are current research activities which concentrate on the micro-perspective of government and business relations, the interactional approach is very much neglected in their analysis. Instead, the organisational and behavioural approaches are used extensively within the four research areas: corporate social performance, public affairs function, issues management, and corporate political strategy.

**Figure 1-7: The Relationship between the Interactional Approach and Other Approaches.**

Structural and Behavioural Approach:  
the Economic and Political Context,  
Influence, and the Prevailing Attitudes, Values and Ideologies



The importance of the interactional approach is brought out here not as a substitute for but as a complementary approach to the others (see Figure 1-7). That is, while the structural and behavioral approaches provide the context of the relationship, the interactional approach gives the framework for the design of the internal processes and organisation of firms (or government agencies), the variables emphasised by the organisational approach. For example, contact for negotiation should be recognised

and separated from routine contact and matched with different groups of personnel. In other words, the interactional approach offers a "linkage or interface," which is neglected by the literature, between the organisational approach and business-government interaction.

*Empirical gap.* Another and more obvious weakness in the literature is that government and business relations in less industrially-advanced countries are neglected and under-researched. Less is known about the relationship in less developed countries such as Thailand, Malaysia, Brazil, Mexico, Nigeria, or Kenya than in more developed countries such as the United States, the United Kingdom, West Germany, France, or Japan.

With the recognition of these two major weaknesses, the primary task of this research is to describe the present interaction between government and business in Thailand and its ideological context. Its main objective is to generate information to help private managers and public administrators to handle interaction effectively. The details of the research design and methodology will be discussed in the next chapter.

## 1.6 SIGNIFICANCE OF THE RESEARCH

There is ample evidence that government and business interaction in Thailand (and in other countries) is high and increasing and will remain so in the foreseeable future. With a growth in gross national product (GNP) of about 10 percent each year, the government has to spend more on infrastructure facilities such as transportation, communication, and energy in order to maintain economic expansion. Some of these infrastructure projects are contracted out to private business. Investment by business is closely negotiated with the government in order to receive certain promotional privileges such as tax concessions. However, rapid expansion of the economy creates problems like inflation and the inadequacy of the quantity and quality of the

government services vital to business operations. The inflation problem is discussed by public officials from the central bank and executives of big commercial banks. At the same time outdated bureaucratic procedures which obstruct efficient business operations are removed at the suggestion of businessmen.

Besides the effects of a rising GNP, rapid technological change and the increasing importance of international trade also force government and business to meet and plan together to maintain the country's economic competitiveness in international markets.

Moreover, apart from these examples of economic stimulation of government and business interaction, present political developments in Thailand make the government and politicians more accountable to the voters. Consequently, the government is now quicker and more willing, either for reasons of economic equality or political gain, to address problems like wages and low agricultural product prices by regulating business, which results in more interaction between government and business. Meanwhile, businessmen are gaining more experience in influencing government policy by employing such tactics as lobbying and supporting promising politicians, practices which were firmly suppressed by the government in the past.

Thus, the significance of this research is twofold. First, it enables public administrators and private managers to take better-informed decisions or courses of actions in their interaction, whether their intentions are based on personal interest, benefits to organisations to which they belong, national economic development, or social welfare, or on a combination of any of these.

Second, it is hoped that the research will stimulate other studies in order to replace the old image of excessively regulatory government and narrow, self-interested business, with one in which the government is seen as an institution both offering opportunities and imposing restrictions, and business as being both socially responsible and commercially selfish. The awareness or recognition of such combined nature of each side is essential to the positive development of government

and business relations.

## 1.7 ORGANISATION OF THE THESIS

*The main text.* There are 6 other chapters following this one. Chapter 2 will discuss the scope of this research, the method, procedure, and data analysis. At the end of the chapter, some empirical limitations of the research are given.

The results and discussion of the data will be presented in Chapter 3 to Chapter 6. Chapter 3 will compare the economic ideology of senior Thai bureaucrats and business managers: their views on the economic role of the government, regulation, and government financial assistance to firms. Being closely related to Chapter 3, Chapter 4 will similarly compare the views of senior bureaucrats and managers on the role of business in politics and its participation in public policy making. It will also make a comparison of their views on the relationship between government and business -how business should relate to government and vice versa.

After the ideological context of business-government relationship has been discussed in Chapters 3 and 4, Chapters 5 and 6 will analyse the interaction in the relationship itself. Chapter 5 will concentrate on the analysis of institutional interaction, as compared with policy interaction which will be discussed in Chapter 6. In particular, Chapter 5 will study the contact and communication between companies and government agencies. Various aspects of contact and communication, such as reasons for contact, influence, personnel and personal links, and methods of communication, will be discussed. Its main analysis is based on the comparison between legally compulsory and non-compulsory dealings between companies and government agencies.

Chapter 6 will then analyse the relationship in terms of policy interaction. It will identify why companies want to influence government economic policy, what are the criteria used by managers in deciding whether a government economic policy is in



their interest, and how they react to a policy which is not. With regard to the reaction of a company, the analysis is based on the comparison between a company's response to a government economic policy which affects it as an individual and to one which affects the industry as a whole.

Finally, the research findings will be evaluated in Chapter 7. The major findings will be summarised and then their implications discussed. At the end of the chapter, areas of further research are proposed.

*Others.* There are also 10 other appendices (Appendices A to J), some of which may be essential for those readers who are not familiar with Thailand. Appendices A to D will provide the background information about government and business relations in Thailand. In particular, Appendix A is about the economic and political context of the relationship and Appendix B the actors in the relationship. Appendix C will give a macro-view of the relationship from 1932 until recently. And Appendix D will discuss the Joint Public and Private Consultative Committee (JPPCC), the first ever formal and permanent channel of cooperation between government and business in Thailand.

Appendices E to I are about the research instruments -pilot studies, questionnaires, and interview schedules. In particular, Appendices E and F present the pilot studies which led to the interview schedules used in this research as shown in Appendices G, H, and I respectively. In addition, Appendix J gives information about the spatial distribution of the ideal population of this research's survey.

## **Chapter 2**

### **Research Design and Methodology**

- 2.1 Introduction**
- 2.2 Theme of the Research: Exploratory versus Descriptive**
- 2.3 Scope of the Research**
- 2.4 Research Methods**
- 2.5 Research Procedure**
- 2.6 Data Analysis**
- 2.7 Research Limitations**
- 2.8 Summary**

## CHAPTER 2

### RESEARCH DESIGN AND METHODOLOGY

#### 2.1 INTRODUCTION

This chapter will describe how this research was carried out and explain its logic. In particular, it will bring out the nature of the research and its scope. It will also explain how the research instruments -the interview schedules- were created and administered. The research data analysis is then discussed. Finally some empirical limitations of the research are given.

#### 2.2 THEME OF THE RESEARCH: EXPLORATORY VERSUS DESCRIPTIVE

Adam and Schvaneveldt wrote:

"The concept of exploration brings to mind the tremendous feats of Columbus, Neil Armstrong,... These explorers were seeking new information, new insights...While preliminary goals guided their studies, these explorers were not locked into a rigid design or ultimate outcome... The very purpose of exploratory research is to seek out new insights, ask questions, and assess phenomena in a different perspective. Exploratory studies are less structured, which permits the researcher to seek new insights. The less developed an area, the more likely that exploration should be the design used."<sup>1</sup>

If exploration conveys the idea suggested above, then, to a large extent, this research is exploratory. Exploratory research has several characteristics suitable for the

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<sup>1</sup>Gerald R. Adams and Jay D. Schvaneveldt, *Understanding Research Methods* (New York: Longman, 1985), p.103.

purpose and nature of the study of government and business relations in Thailand (see Table 2-1). Compared with descriptive research which is tightly structured, focused and selective, exploratory research is flexible, less structured and covers the different perspectives of the problems investigated. These qualities are certainly suitable for research into government and business relations in Thailand on which little previous literature is available, as already pointed out in Chapter 1.

**Table 2-1: Comparison of Two Major Types of Research Design**

	Research Design	
	Exploratory	Descriptive
<i>Purpose</i>	To seek new insights	To make a precise description, explanation, etc
<i>Quality</i>	Flexible and less structured	Tightly structured, usually with clear hypotheses
	Broad scope of investigation	Focus and selective
<i>Advantage</i>	Open to opportunity (serendipity)	Easily controlled
<i>Disadvantage</i>	Difficult to control	Lack of serendipity
<i>Activity</i>	Asking creative questions	Asking important questions
<i>Nature of Problem</i>	Little previous knowledge of the problem	Extensive previous knowledge of the problem
<i>Source:</i>	Summarised from Gerald R. Adams and Jay D. Schvaneveldt, <i>Understanding Research Methods</i> (New York: Longman, 1985), pp.101-118.	

However, the flexibility and the broad scope of investigation of exploratory research are achieved at the expense of the control of the research. But it should not be assumed here that exploratory research is purposeless and random. Rather, exploratory research is purposeful; it starts from a broad focus and gradually narrows down its scope as the investigation goes on. Its purposes are to seek new insights and explore areas unknown to researchers.

## 2.3 SCOPE OF THE RESEARCH

*The main question.* In view of the position taken by this research on the purpose of a study of business-government relationship and the weakness of the literature, the simple but fundamental question which forms the basis of other sub-questions is: "How can government and business impose restrictions as well as offer opportunities to each other?" In particular, the research will try to answer *what government and business can do to benefit mutually from their relationship*. It is against this background that the research findings will be evaluated in the conclusion. To achieve this end, the research scope is broken down as follows.

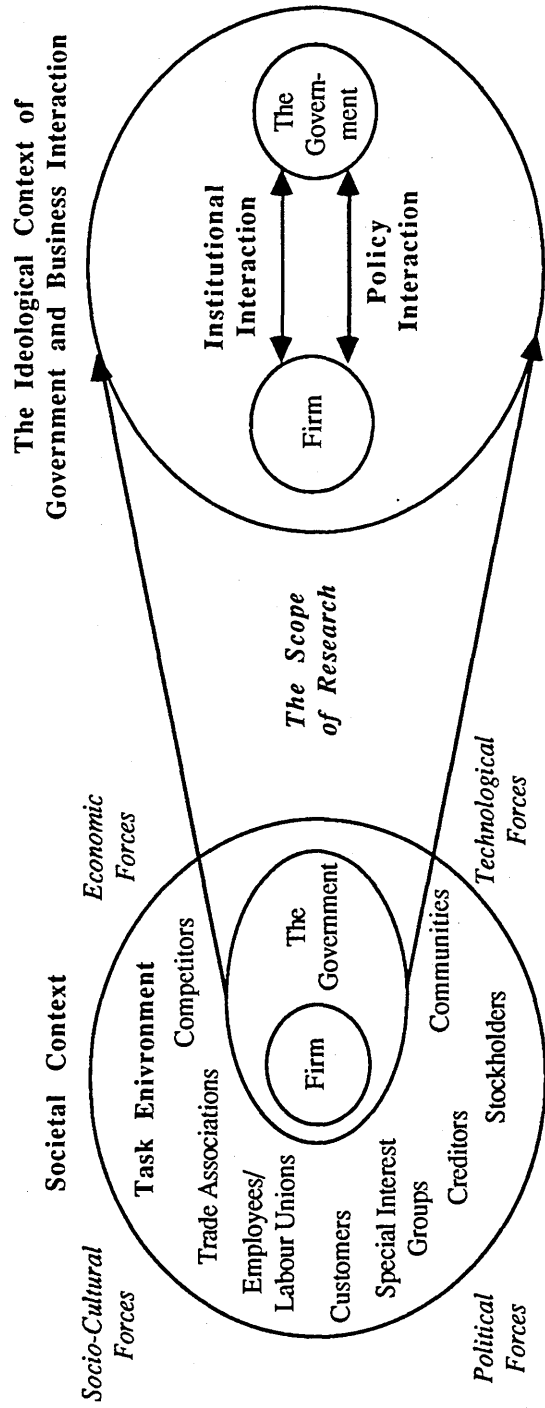
*Sub-questions.* The scope of this study can probably be best seen from the conceptual framework of the research shown in Figure 2-1. On the left-hand side of the figure, a business is seen as an entity existing in a larger societal context shaped by four generic forces: socio-cultural, economic, political, and technological. A firm also has to interact with other entities in the environment, such as its competitors, customers, trade associations and pressure groups.

This research focuses on the business relationship with one particular entity in the environment: the government. As shown on the right-hand side of Figure 2-1, the two main focuses of the research are to study the interaction between business and government and the ideological context of the interaction.

### 2.3.1 The Ideological Context

The research compares the ideology of senior bureaucrats and business managers. It investigates two areas of their ideology: economic ideology and views on business and politics.

**Figure 2-1: The Research Conceptual Framework**



Note: The figure on the left-hand side is adapted from Thomas L. Wheelen and J. David Hunger, *Strategic Management and Business Policy* (Reading: Addison-Wesley, 1986), p.79.

***Economic ideology.*** The research compares three aspects of the economic ideology of senior bureaucrats and business managers:

i) The economic role of the Thai government. The questions to be answered here are what senior Thai bureaucrats and managers think about a free market economy. Will it be the type of economy which they want see in Thailand? Should the government own businesses in such industries as transportation, electricity generation and telecommunication. Or should the government enter into joint ventures with business? And should the government protect certain local industries from fierce competition abroad?

ii) Government regulation. The study also investigates the extent to which senior bureaucrats and managers agree on the role of the government in regulating business. Should prices be controlled by the government in certain circumstances? What about product standards and minimum wage levels? To what extent should the government regulate them? And should the government interfere with the level of interest rates and foreign currency exchange?

iii) Government financial assistance to firms. Finally, the research asks whether the government should give financial help to businesses. In what form should government financial assistance be? Subsidies, loans, or tax concessions? And what kind of company should be given priority?

***Views on business and politics.*** Three aspects of the views of senior bureaucrats and managers on business and politics are compared:

i) Forms of government and business relations. The study asks how senior bureaucrats and managers would like to see the Thai government relate to business. On the other hand, how would they like to see business relate to the government? And are the two forms of relationship compatible?

ii) The political role of business. The study also examines what senior bureaucrats and managers think about business involvement in politics. Is it good or bad for the Thai economy?

iii) The participation of business in public policy making. Finally, the research investigates how senior bureaucrats and managers see the role of business in the government's economic policy making? Should business participate in public policy making, and how? And what do they think will be the consequences of participation?

### 2.3.2 Interaction between Business and Government

After discussing the ideological context of government and business relations, the research examines the interaction within the relationship. It distinguishes between two major types of business-government interaction: institutional and policy.

*Institutional interaction.* In the study of institutional interaction, the research investigates contact and communication between companies and government agencies. The emphasis is mainly on the comparison between dealings which are compulsory because of legal requirements and those which are not. The following aspects of the two types of contact are studied:

i) The basis of company contact with government agencies. The research first identifies the major government agencies contacted by companies. It asks what the reasons for contact are. Do the reasons for compulsory and non-compulsory dealings differ?

ii) Influence within contact. The comparative level of government and business influence within contact is investigated. To what extent do companies have influence over the government agencies they contacted and vice versa?



iii) Personnel links within contact. The research examines personnel and personal links within contact. Do companies develop relationships with personnel in the government agencies they contact and with how many? What is the rank of these contact officials? How well acquainted are companies with these contact officials? Does this acquaintance help companies in their contact with the government?

iv) Patterns of communication within contact. The research further investigates the patterns of communication within contact. Do compulsory and non-compulsory dealings differ in the frequency and methods of communication? And who initiates most of the dealings in the two types of interaction?

v) Satisfaction within contact. Finally, the research evaluates the success of the relationship between companies and government agencies during their interaction. Do companies experience any difficulty in the interaction? And how satisfied are they with their relationship with the government agencies they contacted?

**Policy interaction.** In the study of policy interaction, the scope of the examination can be broadly divided into the interpenetration between government economic planning and business policy, and business reaction to government economic policy in its implementation stage (the *ex post facto* mode).

i) The interpenetration between government economic planning and business policy. The research asks why companies want to influence government economic policy. Are there certain company decisions which are more influenced than others by government policy? It also investigates the balance of policy cooperation between government and business.

ii) The *ex post facto* mode of business reaction to government economic policy. The research tries to identify the criteria used by companies in deciding whether or not a government economic policy is in their interest. In particular, the research examines the difference between business reaction to the two types of the impact of government policy: individual company and industry-wide. In each type of

impact, the research asks whether companies take any action if a government economic policy is not in their interests. If no, why? If yes, what do companies do, how do they do it, and how successful is their reaction?

## 2.4 RESEARCH METHODS

### 2.4.1 Interview Versus Questionnaire

From the nature, objectives, and scope of the research described so far, it is clear that only two contending methods -interview and questionnaire- are appropriate to the study. In theory, the questionnaire and interview methods are largely similar: both of them use questions to elicit information. The most obvious difference is that while questions are read by respondents in the questionnaire method, they are asked directly by an interviewer in the interview method. However, in practice, certain advantages and disadvantages are associated with these two popular tools of social research, as shown in Table 2-2.

**Table 2-2: Comparative Advantages and Disadvantages of Interview and Questionnaire Methods**

Questionnaire	Interview
Fixed set of questions	Flexible, probing possible
Shorter sequence of questions	Longer sequence of questions
Higher consistency of question wording	Lower consistency of question wording
Less complicated investigation	More complicated investigation
Lower control of information filling	Higher control of filling
Less sensitive questions	More sensitive questions
Bigger sample size	Smaller sample size
Time-saving	Time-consuming

The highly-structured interview was chosen as the method for this research since neither of the two methods was appropriate in its unmodified form. The highly-structured interview method has the combined advantages of both. It is flexible and allows probing and a longer sequence of questions, which is suitable for this kind of exploratory research. It also achieves greater consistency of question-wording and permits complex investigation, which the research requires. Its advantage of greater control of information filling because of the presence of the interviewer is appropriate for the context in which the research was conducted, since Thailand is not a research-oriented society and consequently its people are less skillful than those in the West at filling in questionnaires.

Moreover, some of the questions are rather sensitive, for example, those asking about a respondent's attitude towards the political role of businessmen. The presence of the interviewer helps make respondents more relaxed in answering such questions because he can establish rapport with them and assure them of anonymity.

The choice of the highly-structured interview is further confirmed by a conversation with a professor of one of the business schools in Bangkok during the fieldwork in Thailand. He attempted some research into small business management and sent out hundreds of questionnaires but received only a few replies.

#### **2.4.2 Construction of the Interview Schedules**

Because little has been published about government and business relations in Thailand, and because the interactional approach has been largely neglected in the literature as discussed previously, there is little extensive research available to be used as a guide to what types of question are relevant, or how difficult respondents find questions concerning government and business relations. Yet, the heart of exploratory research is to generate new questions. As a result, two pilot studies were conducted.

*First pilot study.* It was carried out with the objective of generating new questions and testing their effectiveness and sensitivity. The first pilot study took the form of a loosely-structured in-depth interview (see Appendix E). The interview is divided into several relevant topics, the questions of which were derived from research into the content of newspapers, books and other publications. Some of the questions were also derived from discussions with colleagues. In addition, probing guides are provided at the end of the questions.<sup>2</sup>

The pilot study should have been administered in Thailand with business managers in Bangkok, but due to locational and time constraints, students with managerial background attending part-time MBA programmes at the Glasgow Business School were chosen instead. An in-depth interview lasting between two and three hours was completed on three respondents and recorded. As a result, some questions were later discarded as irrelevant or redundant. The rest were then modified and subjected to criticism by colleagues and staff members of the Glasgow Business School.

*Second pilot study.* The objective of this pilot study is rather specific. It was done in order to select relevant pairs of descriptive adjectives for the semantic differential scales to be used in studying the attitudinal aspect of government and business relations, such as the attitudes of senior bureaucrats and business managers towards each other and their perception of current government and business relations in Thailand (see details in Appendix F).

*The final interview schedules.* Due to the high level of difficulty in finding respondents and to time limits, the final interview schedules were tested on only two companies and two government officials in Thailand. After a few modifications the

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<sup>2</sup>The style of this pilot study was inspired by "Interview Guide" in Robert E. Lane, *The Political Ideology: Why the American Man Believes What He Does* (New York: Free Press, 1962), pp.481-493.

interview schedules appear as shown in Appendices G (Interview Schedule for Business Managers: Form A), H (Interview Schedule for Business Manager: Form B), and I (Interview Schedule for Senior Bureaucrats) respectively. Appendix G contains the questions about institutional and policy relationships between business and government. Appendices H and I show the interview schedules used in the study of the economic ideology of senior bureaucrats and managers and their views on business and politics.

## 2.5 RESEARCH PROCEDURE

The research procedure can be divided into two stages: the sampling and the interviewing stages.

### 2.5.1 Sampling Method

Graham Kalton wrote:

"It is a useful exercise to start by defining the population as the ideal one required to meet the survey objectives -the *target population*. This definition is then often modified to be the *survey population* to take account of practical constraints."<sup>3</sup>

The above practice is used for the description of the survey samples of this research.

***The business sample.*** The business sample comprises the private companies within the manufacturing sector in Thailand. The manufacturing sector was chosen because it is the fastest growing sector in the Thai economy (for more discussion of the growth of the manufacturing sector, see Appendix A) and consequently, is

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<sup>3</sup>Graham Kalton, *Introduction to Survey Sampling*, Quantitative Applications in Social Sciences Series, No.35 (Beverly Hills: Sage, 1983), p.3.

involved in many government-related activities. However, from an inquiry with the officials of the Business Registration Division, Department of Commercial Registration in the Ministry of Commerce, it was found that registered companies are not classified according to industries or sectors, but in alphabetical order, thus making it impossible to identify the target population of manufacturing companies.

Then the Industrial Economics and Planning Division in the Office of the Permanent Secretary in the Ministry of Industry was contacted. This Division has compiled a list of factories located in Bangkok and other provinces (the statistics are shown in Appendix J) but again does not provide the target population of companies that can be sampled since only factory addresses are available and not those of their company headquarters. However, it does indicate that the manufacturing sector is very much Bangkok-based,<sup>4</sup> thus providing a spatial framework for the target business population.

Fortunately, there is a private publication<sup>5</sup> which has compiled information on the top 1,000 companies and classified them under various industries by using the four-digit International Standard of Industrial Classification (ISIC) system. The target population (the manufacturing companies in Thailand) was then transformed into the survey population of those manufacturing companies ranked within the top 1,000 companies according to their competitiveness (measured by sales, profits, and assets).

A stratified sampling method was used in order to obtain a sample of companies distributed in several industries within the manufacturing sector. A total sample of 41 companies was achieved. The distribution of the sample industries is shown in Table 2-3. Even though the sample does not cover every industry, to a certain extent it

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<sup>4</sup>In fact, almost all of major business activities take place in Bangkok, especially those of big business. Even though this is true in most countries, the Thai case tends to carry the concentration to the extreme. For details, see Kirkiat Pipatseritham and Kunio Yoshihara, *Business Groups in Thailand*, Research Notes and Discussion Paper No.41 (Singapore: Institute of Southeast Asian Studies, 1983), p.10.

<sup>5</sup>International Business Research, *Million Baht Business Information Thailand 1988* (Bangkok: International Business Research, 1988).

represents the major manufacturing companies in Thailand.

**Table 2-3: The Sample Companies**

Industry	ISIC Code	Number of Companies
Preparing and preserving meat	3111	1
Fruit, vegetable canning	3113	1
Seafood canning and preserving	3114	4
Vegetable and animal oils and fats	3115	1
Grain mill products	3116	1
Baked and steamed products	3117	1
Animal feeds	3122	2
Textile spinning, weaving	3211	1
Carpet, rugs	3214	1
Apparel	3220	2
Footwear	3240	1
Pulp, paper and fibreboard	3411	4
Container, paper box and paperboard	3412	1
Fertilisers and pesticides	3512	1
Tyre and tubes	3551	1
Pottery	3610	1
Glass and glass products	3620	1
Non-metallic mineral products	3699	1
Iron, steel works and rolling mills	3711	2
Iron, steel foundries	2712	2
Fabricated metal products except machinery	3819	2
Engine and turbine	3821	1
Other machinery and equipment except electrical	3829	1
Radio, television and communication equipment	3832	1
Other electrical apparatus	3839	4
Motorcycle, tricycle and bicycle	3844	2
Total		41

*The bureaucrat sample.* The population of bureaucrats is more easily defined. The Thai government consists of 15 ministries (The organisation chart of the Thai government can be seen in Appendix B). Senior bureaucrats within the three major economic ministries -the Ministry of Industry, the Ministry of Commerce and the Ministry of Finance- were chosen as the survey population since the target population, senior bureaucrats within all ministries, was too big to be sampled because of time limits. Nevertheless, the three ministries chosen are the ones whose activities are most immediately related to business. The final sample of bureaucrats consists of 13 directors of division or equivalent from the Ministry of Commerce, 10

from the Ministry of Industry, and 7 from the Ministry of Finance, making a total of 30 bureaucrats interviewed in all.

### 2.5.2 The Interview

Two sets of interview schedules were used for one sample company. Interview Schedule Form A (see Appendix G) was used to interview the manager whose activities most often involved dealing with the government; the person was identified after the company contacted had agreed to give interviews. The questions in this interview are about the company's contact, communication and policy relationship with the government

The second interview using Interview Schedule Form B (see Appendix H) might or might not be used with the same manager, depending on the time already spent on the first interview schedule (Interview Schedule Form A) since it took some managers up to 2 hours to finish the first interview. Therefore, in some cases the second interview (Interview Schedule Form B) was used with another manager in the company.

The separation of the interview into two forms was chosen because some managers did not have enough time to complete the two interviews and might have tried to answer the questions briefly so as to finish the interview as soon as possible; or they might have become tired after the long interview and unable to give appropriate, correct information.

The bureaucrats were asked questions similar to those in the Interview Schedule for Business Managers Form B (see Appendix I) for the purpose of making a comparison.

For all the interviews in the research, either with business managers or senior bureaucrats, cards were used as a form of visual aid to respondents. For example, the questions whose answers are in the form of scales or ranking of several items were



always accompanied by cards showing relevant scales or items.

All the interviews with senior bureaucrats and managers in Thailand were carried out between April and August 1989.

## 2.6 DATA ANALYSIS

### 2.6.1 Some Definitions

Before discussing how the data is analysed, some of the terms used in this research need to be defined.

*Company size.* There are several ways to measure the size of a company, such as in terms of the total assets and the number of employees. This research uses the latest annual turnover of a company as a measurement of its size in order to neutralise the effect of the capital or labour intensive characteristic of a company, since the sample companies are in several different industries. The research defines three company-sizes: small, medium, and large. Medium-sized companies are those whose latest annual turnover ranges from 300 to 700 million baht,<sup>6</sup> and small and large companies are those whose latest annual turnover is below or above that range respectively. The choice of 300 and 700 million baht as the classifying points is the result of a study of the distribution of turnover of the top 1,000 companies, the survey population. The two points are approximately the 30th and 70th percentile of the turnover distribution with an average inflation rate of 8% over 3 years incorporated in them (This is because the figures were from 1986 but the research was carried out in 1989). It should be noted that the classification of the sample companies into small, medium, and large is relative since all the companies in the research are relatively big in the context of domestic industry.

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<sup>6</sup>1 pound is worth about 40 baht.

**Type of company.** In addition, the research classifies the sample companies into three categories according to type: Thai, joint-venture, and foreign companies. The classification of a company into a category is done by directly asking the manager interviewed which of the above three types his company is. The conventional understanding of the three types of companies applies here. Thai companies are those based in Thailand, managed by Thai managers, and owned by Thai people. Joint-venture companies are those in which the ownership as well as the management is shared by Thai and non-Thai people. Foreign companies (or subsidiaries) are those whose parent companies are based outside Thailand.

**The extent of government control of industry.** Finally, the research classifies the companies according to the extent of government control of their industry. This classification is a matter of the perception of the managers interviewed. The managers were asked the question: "To what extent do you think the government controls or regulates the industry in which your company is?" The answers are in the form of a four-point scale: (1) No Extent, (2) Small, (3) Moderate, (4) Great and (5) Very Great.

### 2.6.2 Choice of Statistical Techniques

The data analysis of this research relies mainly on non-parametric statistics.<sup>7</sup> The main argument against the use of parametric statistics is that most of the research variables are measured at nominal or ordinal level.<sup>8</sup> However, when interval

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<sup>7</sup>For a detailed application of non-parametric statistics and discussion of the occasion in which each technique is appropriate, see, for example, Sidney Siegel, *Nonparametric Statistics for the Behavioral Sciences*, 2nd edition (McGraw-Hill, 1989); and John H. Mueller et al., *Statistical Reasoning in Sociology* (Boston: Houghton Mifflin, 1970), pp.239-294.

<sup>8</sup>For a detailed discussion of measurement levels, see, for example, D. A. de Vaus, *Surveys in Social Research* (London: George Allen & Unwin, 1986), pp.83-69; C. A. Moser and G. Kalton, *Survey Methods in Social Investigation* (London: Heinemann, 1971), pp.350-377; Arlene Fink and Jacqueline Kosecoff, *How to Conduct Surveys: A Step-by-Step Guide* (Beverly Hills: Sage, 1985),

measurement is achieved, appropriate parametric statistics are used. All the statistical methods used in the data analysis and the occasions when they apply are shown in Table 2-4.<sup>9</sup> With regard to the inferential statistics shown in Table 2-4, no significance level is applied to the probabilities in the sense of rejecting or not rejecting a hypothesis. The nature of the data and the exploratory characteristic of the research tend to argue against formal hypothesis testing. Under these circumstances, the statistics are applied with the intention of providing rough guidelines of significance. The conclusions that emerge from the analysis are based on judgements, rather than on formal tests of hypotheses.

The crosstabulation technique is used extensively in the data analysis of this research.<sup>10</sup> In Chapter 3, it is used to compare the economic ideology of senior bureaucrats and business managers, and in Chapter 4 their views on business and politics. Medians and Cramer's V figures are reported in each table together with Mann-Whitney U tests. The control of certain variables such as age, the place of training or study, and the professional subject is also carried out in order to check the robustness of the comparison.

In Chapter 5, institutional interaction, crosstabulation analysis is conducted by comparing the characteristics of legally compulsory and non-compulsory dealings between companies and government agencies. Similarly, the medians of responses, Cramer's V figures and Mann-Whitney U tests are calculated for each table. In addition, in order to control the influence of the type of contact and examine the variation within sub-groups, crosstabulation is also done within each type of contact

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pp.33-40; and Harry S. Upshaw, "Attitude Measurement," in Anne B. Blalock, *Methodology in Social Research*, edited by Hubert M. Blalock, Jr. (San Francisco: McGraw-Hill, 1969), pp.60-111.

<sup>9</sup>The translation of statistical analysis shown here into computer programmes can be seen in SPSS Inc., *SPSSX User's Guide* (New York: McGraw-Hill, 1983); John Hedderson, *SPSSX Made Simple* (Blemond: Wadsworth Publishing Company, 1987); and Marija J. Norusis, *The SPSS Guide to Data Analysis* (Chicago: SPSS, 1986).

<sup>10</sup>The application and logic of crosstabulation technique can be seen in, for example, de Vaus, op.cit., pp120-137; and Hans Zeisel, *Say It with Figures*, 5th edition (New York: Harper & Row, 1968).

across the three variables defined earlier: company size, type of company, and the extent of government control of industry.

**Table 2-4: The Statistical Methods Used in This Research**

Level of Measurement	Method and Descriptive Summary Statistics	Inferential Statistics
<i>One variable: Description</i>		
Nominal	Frequency Distribution	
Ordinal	Median	
Interval	Mean	
<i>Two variables: Measures of association</i>		
Nominal/Ordinal	Crosstabulation with Cramer's V ( $0 < V < 1$ : the bigger the value of V, the stronger the association)	Mann-Whitney U-test (dichotomous nominal independent variables)
Ordinal/Ordinal	Kendall correlation coefficient T ( $-1 < T < 1$ : the bigger the value of T, the stronger the association; the sign of T shows the direction of association)	Test of significance for T
<i>Two variables: Comparison</i>		
Nominal/Interval	Comparing 2 means	T-test
Nominal/Ordinal	Comparing more than 2 medians	Friedman 2-Way Anova
<i>Several variables: Ranking</i>		
Ordinal	Kendall coefficient of concordance W ( $0 < W < 1$ : the bigger the value of W, the higher the agreement is the ranking)	Test of significance for W

Similarly, in Chapter 6, policy interaction, the crosstabulation method is used to compare business reaction to individual company and industry-wide impact. Here, again, medians, Cramer's V figures and Mann-Whitney U tests are shown in each table.

**Qualitative data.** As the interviews with senior bureaucrats and managers were conducted in a conversational manner, there are also interesting comments apart from the answers to the questions in the interview schedules. These comments are

presented alongside the quantitative analysis to make the statistics more easily understandable and help highlight the findings.

## 2.7 RESEARCH LIMITATIONS

Belson has categorised information commonly sought by survey researchers into 7 broad categories.<sup>11</sup>

- i) Visibly obvious characteristics. Examples are sex and clothing worn.
- ii) Visibly obvious behaviour. Examples are shopping behaviour and work patterns on the factory floor.
- iii) Information about the respondent's own characteristics and situation, of the sort with which the respondent might reasonably be expected to be able to provide the survey interviewer. Examples are age, occupation and marital state.
- iv) Opinions on some seemingly innocent and non-threatening matters. Examples are views about road traffic and reaction to some product just tasted.
- v) Information about behaviour that calls for memory effort or that may be subject to confusion. Examples are when the respondent last looked at some given publication, and number of periods lasting a week or more that the respondent was absent from work in the last 12 months.
- vi) Information that the respondent will not want to admit because it is dangerous or shameful to admit it, or because he considers that it is private. Examples are extra-marital sexual activity and bribery.
- vii) Attitudes and tendencies and personality traits of which the respondent is not fully aware -perhaps not aware at all. Examples are a tendency to say "no" to any question or proposition and irrationality.

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<sup>11</sup>William A. Belson, *Validity in Survey Research* (Cambridge: Gower, 1986), pp.3-5.

The issues of validity and reliability of measurements made in this research are mainly concerned with information falling into categories (iv), (v) and (vi). Even though some questions in the research can be categorised as non-threatening ones, yet they may be misunderstood by a respondent, and sometimes the respondent may not choose or bother to give fully accurate replies.

There are also several research questions which require recall of events which took place in the past, for instance, during the past 12 months. Such questions might cause the respondent some difficulty in answering because of forgetfulness or confusion. However, the interview techniques of probing and repeated confirmation were used to minimise this effect.

Some of the research questions may ask for information in category (vi) such as the respondent's (managers) personal relationship with government officials. The respondent may not give an accurate answer.

Besides these general empirical limitations of asking for information in categories (iv), (v), and (vi), which are quite common in most social research, there are also other specific ones. First, in some cases, the companies being interviewed were involved in important negotiations with the government for certain reasons. For instance, there was a shortage of steel rods due to the booming construction industry and the steel-rod manufacturing company being interviewed was persuading the government to give permission to import them; the managers of the company might have been especially cautious in answering the questions and might not have given truthful replies.

Second, in a few cases the manager who knew most about the company's interaction with government agencies was not available because, for example, he was travelling abroad. In such a case, his deputy was interviewed instead. The substitution might have had negative effects on the research since the deputy might not have known as much about the company's government-related activities as his chief.

Finally, some younger respondents were less conservative in answering the

questions than those who were older. This might have made the measurement of an answer on a scale less reliable. However, this was not always the case. In some companies or government agencies, older respondents were quite open and straightforward in giving an answer. Thus, the errors might compensate each other and cancel out, resulting in little overall effect on an average measurement.

## 2.8 SUMMARY

Due to the scarcity of literature on government and business relations in Thailand, the nature of this research is exploratory. Its scope of investigation covers both the interaction between government and business and the ideological context. Based on two pilot studies, the research developed 3 sets of interview schedules for the investigation -one for the interaction study and two for the ideological study. These interview schedules were then used on 41 manufacturing companies sampled from the top 1,000 companies in Thailand and on 30 senior bureaucrats (directors of division or equivalents) in the Ministry of Commerce, the Ministry of Industry, and the Ministry of Finance. Finally, the research data was processed by a computer (using the SPSSX programme). The statistical techniques used in the analysis rely mainly on non-parametric statistics and crosstabulation.

## **Chapter 3**

### **Economic Ideology:**

#### **A Comparison of Thai Bureaucrats and Managers**

- 3.1 Introduction**
- 3.2 The Economic Role of the Government**
- 3.3 Government Regulation**
- 3.4 Government Assistance to Firms**
- 3.5 Consistency of the Economic Ideology**
- 3.6 Summary**



**CHAPTER 3**  
**ECONOMIC IDEOLOGY:**  
**A COMPARISON OF THAI BUREAUCRATS AND MANAGERS**

**3.1 INTRODUCTION**

It is beyond doubt that the concept of attitude, belief, ideology or similar terminology has long been a central part of social science research. For instance, in social psychology, many theories concerning the formation and change of attitudes have been formulated, whereas in sociology, ideology has been studied in terms of its relationship to the larger social context.<sup>1</sup> The nature of the ideology study of this research is neither of the above two examples: it does not try to arrive at another theory of the concept of attitude, belief, or ideology. Instead it is more of an applied research, as against a theoretical research. It is an attempt to describe the beliefs currently held by the Thai elite, more specifically by senior bureaucrats and managers, about government and business interaction.

This is the first of two related chapters on the ideological context of government and business relations in Thailand. It is widely known that at the two extremes of the spectrum of world economic systems stand two types of economy: the non-interventionist, market-led economy and the interventionist, centrally-planned economy. The question which is of primary concern here is: "Where does the economic ideology of Thai elite lie on the above spectrum?" In particular, this chapter

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<sup>1</sup>A literature review of the concept of attitude, belief, or ideology here will be redundant since many of such efforts have already been made elsewhere. See, for example, J. Richard Eiser and J. van der Pligt, *Attitudes and Decisions* (London: Routledge, 1988); Donald P. Cushman and Robert D. McPhee, editors, *Message-Attitude-Behaviour Relationship* (San Francisco: Academic Press, 1980); Neil Warren and Maria Jahoda, editors, *Attitudes: Selected Readings* (Middlesex: Penguin, 1973); Chester A. Insko, *Theories of Attitude Change* (Eaglewood Cliffs: Prentice-Hall, 1967); and Kenneth Thompson, *Beliefs and Ideology* (London: Tavistock, 1986)

will investigate and compare the views of senior Thai bureaucrats and managers on the economic role of the government, on government regulation, and on government financial assistance to firms. Finally, it will examine the consistency of these views.

### 3.2 THE ECONOMIC ROLE OF THE GOVERNMENT

A good starting point for exploring the contemporary economic ideology of Thai bureaucrats and managers is to examine their perception of the role of the government in the economy. Should the government own and operate some businesses or enter into joint ventures with the private sector? Should the government act as the protector of some domestic industries? And above all, which type of economic system best suits Thailand? It is the answers given by the respondents to these controversial questions that this section is concerned with.

#### 3.2.1 The Free Market Economy

From Table 3-1 it can be seen that the managers and the bureaucrats held similar opinions about the economic system suitable for Thailand (Cramer's  $V = 0.24$ ). That is, most of the managers and the bureaucrats agreed with the statement that *the economic system which best encourages the growth of businesses in Thailand is the one with the least government intervention* (Mann-Whitney U Test,  $p = 0.067$ ). Around 83% of the managers and 73% of the bureaucrats either agreed or strongly agreed with the statement.

The Table also shows that irrespective of their age and place of training, both the managers and the bureaucrats agreed with the statement. However, while most of the managers with a professional background in sciences agreed with the free market economy, the bureaucrats with the same background were neutral in opinion.

**Table 3-1: Comparison of Views on a Free Market Economy**

<b>Statement:</b>		<i>The economic system which best encourages the growth of businesses in Thailand is the one with the least government intervention.</i>			
	Rating Value	Managers (N=41)		Bureaucrats (N=30)	
Strongly Disagree	1	0 %		0 %	
Disagree	2	10		13	
Neither	3	7		13	
Agree	4	49		60	
Strongly Agree	5	34		13	
Median		4		4	
Cramer's V				0.24	
Mann-Whitney U Test		Z (corrected for ties) p (two-tailed)		-1.83 0.067	
		N		Median	
		Mgrs <sup>a</sup>	Bcrts <sup>b</sup>	Mgrs	Bcrts
<i>Control for...</i>					
- Age <sup>c</sup>					
a) 50 or below		34	13	4	4
b) 51 or above		7	17	4	4
- Training Abroad					
a) No		34	14	4	4
b) Yes		7	15	4	4
- Professional Subject					
a) Sciences		10	8	4	3
b) Social Sciences		31	21	4	4
Note:	a	Managers.			
	b	Bureaucrats.			
	c	Collapsed categories.			

The preference of the managers for less government intervention is understandable since few businesses want to be controlled by regulations (except in certain cases where the regulation is in their interests). One manager clearly voiced this view: "Business is entrepreneurship. It is quick and decisive. The government and its bureaucracy are too slow to do business... Business requires experience. How can the government know what is better when they do not have the experience that businessmen have?" Such an attitude clearly indicates his lack of trust in the

government's competence to intervene.

Compared to the previous finding a little over a decade ago, the data here suggest a persistent or even increasing distaste for government intervention on the part of managers. In 1978, a survey found that 51% of 129 business respondents agreed with the statement that "the government must let business operate freely without any intervention or control."<sup>2</sup>

Moreover, in the light of the way Chinese businessmen were unfairly treated by government officials as described in Appendix C, the agreement of senior bureaucrats with a free market economy represents an important contrast to past attitudes of government officials. One of the bureaucrats interviewed even said, "There is no doubt about that... Businessmen are good (at doing business). That is accepted. During the past few years, they have become more professional. It would make a good laugh if the government tried to tell them what they should do."

### 3.2.2 Public Ownership

Public ownership is another controversial issue which reflects attitudes towards the government's role in the economy. Table 3-2 indicates that the managers and the bureaucrats held similar views about public ownership (Cramer's  $V = 0.20$ ). That is, most of the managers and the bureaucrats disagreed that *public utilities, such as electricity, water, telecommunication and transportation, should be owned and operated by the government* (Mann-Whitney U Test,  $p = 0.249$ ). About 71% of the managers and 63% of the bureaucrats disagreed with the statement.

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<sup>2</sup>Sawaeng Sanguanrueng, "Karn Gumnod Roopbap Pua Num Pai Sue Kwam Sampan Nai Karn Sangsan Rawang Pak Rataban Lae Pak Ekachon" (Towards Creative Relations between Government and Business), in Samakom Karn Jatkarn Turakij Hang Prathet Thai (Thai Management Association), *Ekasarn Tang Wichakarn Prakob Karn Prachum Karn Borihan Pak Rataban Lae Pak Ekachon Nai Prathet Thai* (The Papers of the Conference on the Public Administration and Private Management in Thailand) (Bangkok: Amarin Press, 1978), p.79. His sample consisted of the managers who were members of the Thai Management Association.

**Table 3-2: Comparison of Views on Public Ownership**

<b>Statement:</b> <i>Public utilities, such as electricity, water, telecommunication and transportation, should be owned and operated by the government.</i>				
	Rating Value	Managers (N=41)		Bureaucrats (N=30)
Strongly Disagree	1	15 %		7 %
Disagree	2	56		57
Neither	3	12		7
Agree	4	17		30
Strongly Agree	5	0		0
Median		2		2
Cramer's V				0.20
Mann-Whitney U Test		Z (corrected for ties) p (two-tailed)		-1.15 0.249
		N		Median
		Mgrs	Bcrts	Mgrs
				Bcrts
<i>Control for...</i>				
- Age				
a) 50 or below		34	13	2
b) 51 or above		7	17	2
- Training Abroad				
a) No		34	14	2
b) Yes		7	15	2
- Professional Subject				
a) Sciences		10	8	2
b) Social Sciences		31	21	2

The result confirms the persistence of anti-state-ownership feeling among most business managers. In 1978, about 74% of 129 managers surveyed agreed with the statement that "for major industries in the Thai economy, such as petroleum, banking, and principle export crops, the government should take over in the public interest."<sup>3</sup>

The major reasons for the dislike of state-ownership among the managers and the bureaucrats are probably inefficiency and corruption in state enterprises. As one manager put it. "Voltage drop has caused considerable disruption to our production from time to time; during the summer there are usually water shortages. These would

<sup>3</sup>Loc.cit.

not have happened if the services (public utilities) were run by the private sector. But I could not see this (the change from public to private ownership) happen in the near future since so many interests are involved... If you follow the news, you will see that there are changes in the board of directors of several state enterprises. It can be seen as a strategy employed by the politicians either to pave the way for future privatisation or to reap what they have sowed in past election campaigns." Such a view and similar complaints were quite common among the managers interviewed. Moreover, his observation about changes in the board of directors of state enterprises does reflect several economic ministers' intention to privatise state enterprises. Another bureaucrat who disagreed with public ownership added, "I believe that finally some of these public enterprises (electricity, transportation, and oil) will have to be privatised in order to provide the infrastructure facilities necessary for the present economic growth rate of two digits. Most of the public enterprises now face the problem of financial shortages in funding their expansion projects. At the same time the government could not incur more foreign debts to finance those important projects because there are limits in the loans. The most likely solution is to privatise the enterprises... But the labour unions of the state enterprises are mobilising the mobs to stop these changes. Unless the government can find an effective way to control these mobs, the process of privatisation will be a rough and long one."

The research finding that the majority of the managers and the bureaucrats disliked public ownership, despite the fact that most public utilities in Thailand are now owned by the government, is against Mazzolini's past prediction. He claimed that the trend during the 1970s in most countries other than the United States had been toward more state ownership.<sup>4</sup> However, the trend did not persist into the 1980s in some countries including Thailand. The United Kingdom is another example. One of the dominant features of the Thatcher government is the privatisation programme, for example, the sales of Britoil, British Gas and British Airways.<sup>5</sup>

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<sup>4</sup>Renato Mazzolini, *Government Controlled Enterprises* (New York: Wiley, 1979), as quoted by Thomas K. McCraw, "Business & Government: The Origin of the Adversary Relationship," *California Management Review*, Vol.XXVI, No.2 (Winter, 1984), p.35.

### 3.2.3 Public and Private Joint-Ventures

Table 3-3 shows that the managers and the bureaucrats held a similar opinion on the issue of public and private joint-ventures (Cramer's  $V = 0.20$ ): they were generally undecided as to whether *joint ventures between the government and companies are a good strategy for Thailand in promoting industry* (Mann-Whitney U Test,  $p = 0.188$ ). While the managers were slightly inclined to agree, the bureaucrats were almost equally divided between agreement and disagreement with public and private joint-ventures as a development strategy. According to the Table, while 42% of the managers agreed with the statement and 22% disagreed, 27% of the bureaucrats were undecided, with 33% in agreement and 40% in disagreement.

When a comparison was made between those respondents who did not have any training or study abroad, most of the bureaucrats disagreed while the managers neither agreed nor disagreed with the statement. Moreover, according to the Table, the bureaucrats with a professional background in sciences were likely to agree while those with a background in social sciences disagreed with the statement.

There seem to be two opposing views about public and private joint-ventures. The argument against is probably the inefficiency and corruption previously mentioned on the issue of public ownership, while the argument in favour is that some crucial industries would not have been created without state-partnership which is normally endowed with certain privileges. As one bureaucrat put it: "This (a joint-venture) is another form of public ownership... But I think sometimes the government needs to get involved to get some industries initiated." Thus, compared to complete public ownership, public and private joint-ventures were more acceptable to both the managers and the bureaucrats.

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<sup>5</sup>Stephen Wilks, "From Industrial Policy to Enterprise Policy in Britain," *Journal of General Management*, Vol.12, No.4 (Summer, 1987), p.8.

**Table 3-3: Comparison of Views on Public and Private Joint-Ventures**

<b>Statement:</b> <i>Joint ventures between the government and companies are a good strategy for Thailand in promoting industry.</i>				
	Rating Value	Managers (N=41)		Bureaucrats (N=30)
Strongly Disagree	1	2 %		3 %
Disagree	2	20		37
Neither	3	34		27
Agree	4	42		30
Strongly Agree	5	2		3
Median		3		3
Cramer's V				0.20
Mann-Whitney U Test		Z (corrected for ties) p (two-tailed)		-1.32 0.188
		N		Median
		Mgrs	Bcrts	Mgrs
				Bcrts
<i>Control for...</i>				
- Age				
a) 50 or below		34	13	3
b) 51 or above		7	17	3
- Training Abroad				
a) No		34	14	3
b) Yes		7	15	3
- Professional Subject				
a) Sciences		10	8	3
b) Social Sciences		31	21	3

### 3.2.4 Industry Protection

Table 3-4 shows a significant difference of opinion on the protection of industry by using trade barriers between the managers and the bureaucrats (Cramer's V = 0.76; Mann-Whitney U Test, p = 0.000). While 53% of the bureaucrats disagreed that *using trade barriers to protect local companies from the competition of big foreign companies is something that the government should do*, about 88% of the managers either agreed or strongly agreed.

In addition, the bureaucrats who were in the 51-or-above age group, who did not have any study or training abroad, or who had professional background in social



sciences were likely to disagree with the government's protection of industry.

**Table 3-4: Comparison of Views on Industry Protection**

<b>Statement:</b> <i>Using trade barriers to protect local companies from the competition of big foreign companies is something that the government should do.</i>				
	Rating Value	Managers (N=41)		Bureaucrats (N=30)
Strongly Disagree	1	0 %		10 %
Disagree	2	0		43
Neither	3	12		30
Agree	4	66		17
Strongly Agree	5	22		0
Median		4		2
Cramer's V				0.76
Mann-Whitney U Test		Z (corrected for ties)		-6.16
		p (two-tailed)		0.000
		N		Median
		Mgrs	Bcrts	Mgrs
				Bcrts
<i>Control for...</i>				
- Age				
a) 50 or below		34	13	4
b) 51 or above		7	17	4
- Training Abroad				
a) No		34	14	4
b) Yes		7	15	4
- Professional Subject				
a) Sciences		10	8	4
b) Social Sciences		31	21	4

The preference of the managers for industry protection is easily understood since such a measure would mean reduced competition from abroad. A manager of a paper manufacturing company agreed that industry protection was necessary. "It is necessary that the government protects local industry to some extent. Look at the pulp and paper industry as an example. It is impossible for us to survive when our maximum production capacity is less than 10% of that of the Scandinavian paper manufacturing companies. There is a big gap in the economies of scale between ours and theirs," he argued. Several of the managers also claimed that similar industry

protection was practised elsewhere, in their argument in favour of the Thai government using trade barriers to protect local industry. One manager of a small, garment manufacturing company which exports extensively said, "This is like playing a game. Look at the United States for example; the local industry is lobbying to pass Section 301 (a part of legislation restricting the import of textile products from abroad into the United States) through to get us out of their market. If we do not do the same thing back home (in Thailand), how are we going to get bargaining power?"

While the managers wanted less competition, the bureaucrats were concerned that there was too little competition. A few bureaucrats mentioned the vicious practice of collusion by some producers. "In some industries, it is widely known that only a few big companies are reaping a lot of profits out of government protection. In some cases, it is nothing less than a monopoly. These companies have been protected by the government for years and want to be protected forever." However, a number of bureaucrats agreed that infant industry protection was necessary. "It is necessary that some industries should be protected by the government in the national interest. For example, we should be able to produce some heavy machinery and equipment by ourselves rather than relying entirely on imports from abroad. We should be more self-reliant. Besides, the economy will be rather unstable if we rely mainly upon agricultural products. We should diversify our industries," explained one bureaucrat.

### 3.3 GOVERNMENT REGULATION

Proponents of regulation contend that many of the rules and directives have yielded numerous benefits to the public while opponents say it can simultaneously generate disadvantages for business.<sup>6</sup> The rationale of government intervention is based primarily on sources: market structure (such as monopolies), environmental

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<sup>6</sup>See Allen R. Ferguson and Murry L. Weidenbaum, "Chapter 9 The Problems of Balancing the Costs and Benefits of Regulation: Two Views," in James F. Gatti, editor, *The Limits of Government Regulation* (London: Academic Press, 1981), pp.143-166.

spillovers (no markets for pollution costs), lack of information (no markets for information), and social justice (lack of wealth distribution). However, the extent of government intervention is still a controversial issue.<sup>7</sup>

Following the previous section, which discussed the attitudes of the managers and the bureaucrats towards the economic role of the government in general, in this section their views on government regulation in particular will be examined. It will compare the managers' and the bureaucrats' opinions about such important issues as price control, product standards, minimum wages, interest rate control, and foreign exchange control.

### 3.3.1 Price Control

Table 3-5 shows that there was a difference of opinion on price control between the managers and the bureaucrats (Cramer's  $V = 0.30$ ): whereas many of the managers agreed with the statement that *in some industries, price levels may be determined by only a few companies, yet the government should not interfere with pricing*, the senior bureaucrats were undecided or slightly disagreed (Mann-Whitney U Test,  $p = 0.037$ ). About 50% of the managers either agreed or strongly agreed with the statement, while 40% of the bureaucrats disagreed and the remaining 60% were equally divided between those who were undecided and those who agreed.

The Table also shows that the bureaucrats who did not have any training or study abroad, or had a professional background in sciences tended to disagree with the statement. In contrast, there was a consensus among the managers to agree with the statement, except those with a professional background in sciences who neither

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<sup>7</sup>Martin Ricketts and Keith Shaw, "The Theory of Regulation," in Alan Peacock, editor, *The Regulation Game: How British and West German Companies Bargain with Government* (Oxford: Basil Blackwell, 1984), pp.8-18. For a more detailed and extensive politico-economic approach, as against the ideological approach used here, to government regulation, see Barry M. Mitnick, *The Political Economy of Regulation: Creating, Designing, and Removing Regulatory Forms* (New York: Columbia University Press, 1980).

agreed nor disagreed.

**Table 3-5: Comparison of Views on Price Control**

<b>Statement:</b> <i>In some industries, price levels may be determined by only a few companies, yet the government should not interfere with pricing.</i>				
	Rating Value	Managers (N=41)		Bureaucrats (N=30)
Strongly Disagree	1	2 %		7 %
Disagree	2	24		33
Neither	3	20		30
Agree	4	42		30
Strongly Agree	5	12		0
Median		4		3
Cramer's V				0.30
Mann-Whitney U Test		Z (corrected for ties)		-2.09
		p (two-tailed)		0.037
		N		Median
		Mgrs	Bcrts	Mgrs
		Bcrts		Bcrts
<i>Control for...</i>				
- Age				
a) 50 or below		34	13	4
b) 51 or above		7	17	4
- Training Abroad				
a) No		34	14	4
b) Yes		7	15	4
- Professional Subject				
a) Sciences		10	8	3
b) Social Sciences		31	21	4

Normally, business would be expected to defend vigorously their right to set the prices of their products. While economic principles legitimise government intervention in the light of market imperfection or failure, business managers tend to ignore this reasoning as irrelevant. Some of the managers interviewed regarded government price control as impracticable or as a form of disincentives for hard work. For example, one manager of a animal-feed manufacturing company said, "Price control cannot be implemented in practice. If the price is fixed for me to sell a bag of animal-feed today, what shall I do tomorrow when fishermen want to increase

the price of their fish sold to me? We will be running our business at a loss until we can convince the government that our cost has already increased, which normally takes a long time... This is not to mention the fact that the price fixed by the government is right or not at the beginning." Another manager of a big business group said, "You must have a big market share in order to be able to determine prices. You also have to work hard to achieve a big market share. So I could not see that it is wrong to set a price when it is a result of hard work... The government are punishing good businessmen when they control prices." Such an attitude stands in contrast to the finding of the survey in 1978 that 64% of 129 businessmen agreed with the statement that "the government should prevent businesses from making too much profit."<sup>8</sup>

In comparison, some bureaucrats who did not agree with price control seemed to approach the issue differently: they were more concerned about the interests of other non-business groups such as consumers and farmers. One bureaucrat from the Internal Trade Department said, "The price of goods such as agricultural produce needs to be watched closely by the government because farmers are prone to be taken advantage of by the middlemen or by some big industrial companies." Another said, "Consumers should be protected from being the victims of the collusive practice of business. The government must ensure that the consumers pay a fair price for what they buy."

### 3.3.2 Product Standards

Table 3-6 indicates that most of the managers and the bureaucrats agreed with the statement that *regulating the standard of goods and services is something that the government should do* (Cramer's  $V = 0.30$ ; Mann-Whitney U Test,  $p = 0.032$ ). About 78% of the managers and 63% of the bureaucrats either agreed or strongly agreed with the statement.

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<sup>8</sup>Sanguanrueng, op.cit., p.78.

**Table 3-6: Comparison of Views on Product Standard Regulation**

**Statement:** *Regulating the standard of goods and services is something that the government should do.*

	Rating Value	Managers (N=41)	Bureaucrats (N=30)
Strongly Disagree	1	0 %	0 %
Disagree	2	10	27
Neither	3	12	10
Agree	4	54	57
Strongly Agree	5	24	7
Median		4	4
Cramer's V			0.30
Mann-Whitney U Test	Z (corrected for ties) p (two-tailed)		-2.15 0.032
		N	
		Mgrs	Bcrts
		Median	
		Mgrs	Bcrts
<i>Control for...</i>			
- Age			
a) 50 or below		34	13
b) 51 or above		7	17
- Training Abroad			
a) No		34	14
b) Yes		7	15
- Professional Subject			
a) Sciences		10	8
b) Social Sciences		31	21

While many of the managers seemed to be reluctant to accept price control by the government, they were more ready to welcome product standards regulation. When asked to voice his opinion on the statement, one manager responded spontaneously, "Yes, this is certainly what the government should do."

Product reputation and reduction in competition may be some of the reasons why standards regulation is more acceptable to managers. Being concerned about business reputation, one manager said, "The government should ensure that industrial products are manufactured up to the required standards, especially those which are intended for export because this involves the image of the Thai industry." On the other hand, one manager of a major shoe-manufacturing company said, "I completely

agree with it (standards regulation). For instance, people should not be cheated by those manufacturers who sell cheap but well decorated shoes which last for only a few months." However, it is rather doubtful whether this manager is more concerned about consumer protection than the fierce competition from smaller companies

In contrast, the bureaucrats seemed to prefer the regulation of product standards with the reason of consumer protection. A representative example of such concern is: "It is necessary that the consumers are protected from unsafe products.," or "The government must prevent the consumers from being taken advantage of."

Even though the regulation of product standards was welcomed by both the managers and the bureaucrats, its implementation has not been free from problems. As one senior bureaucrat at the Thai Industrial Standards Institute (TISI), the government agency responsible for product standards regulation, explained, "At present we have two types of industrial standards -the compulsory and voluntary one... Most of these standards are produced by committees consisting of manufacturers, consumers, and experts on the products... In some cases the actual testing of products is done by the companies themselves and the results are sent to us since the Institute does not have the testing equipment... There is also some problem concerning the voluntary standards mark. Sometimes the consumers are doubtful about the products with the government standards mark because they are often considerably cheaper." Such a lack of confidence in the government's industrial standards arises because some companies are targeting at ordinary working people such as labourers by selling the products cheaper but with the government standards mark guaranteeing the quality. She continued, "These companies came to us and applied for the industrial standards mark. Once they have got it, they put it on the packaging of their products and sell them cheaply. Such a practice has tarnished the image of the mark and effectively discourages other companies from putting the mark on their products, even though they have got one."

### 3.3.3 Minimum Wages

Table 3-7 indicates that there was a significant difference of opinion about minimum wage regulation between the managers and the bureaucrats (Cramer's  $V = 0.54$ ; Mann-Whitney U Test,  $p = 0.000$ ). That is, where most of the managers agreed that *regulating minimum wage levels is something that the government should do*, the bureaucrats were generally undecided.

**Table 3-7: Comparison of Views on Minimum Wage Regulation.**

<b>Statement:</b> <i>Regulating minimum wage levels is something that the government should do.</i>					
	Rating Value	Managers (N=41)		Bureaucrats (N=30)	
Strongly Disagree	1	2 %		3 %	
Disagree	2	2		30	
Neither	3	10		27	
Agree	4	66		40	
Strongly Agree	5	20		0	
Median		4		3	
Cramer's V				0.54	
Mann-Whitney U Test		Z (corrected for ties) p (two-tailed)		-4.29 0.000	
		N		Median	
		Mgrs	Bcrts	Mgrs	Bcrts
<i>Control for...</i>					
- Age					
a) 50 or below		34	13	4	3
b) 51 or above		7	17	4	3
- Training Abroad					
a) No		34	14	4	4
b) Yes		7	15	4	3
- Professional Subject					
a) Sciences		10	8	4	3
b) Social Sciences		31	21	4	3

According to the Table, about 85% of the managers either agreed or strongly agreed with the statement, while the bureaucrats were divided in opinion, with 33%



in disagreement and 40% in agreement. However, the bureaucrats who had some training or study abroad tended to agree with the statement.

Considering one of the results of the survey in 1978, in which nearly 95% of the 129 business respondents agreed that "the government needs to give protection to labour for the sake of social justice,"<sup>9</sup> the result here indirectly shows the persistence of the belief in minimum wage regulation among managers.

In contrast, it is rather surprising that up to 33% of the bureaucrats disagreed with the statement since they would be expected to claim ethical reasons for fixing minimum wage levels. Some of these observations by the bureaucrats may help explain the finding. One bureaucrat said, "I could not see how the wages paid to labourers and employees can be effectively checked by the government. There are many illegal factories... While big companies are paying wages high above the minimum level, those illegal factories, which are mainly the sources of child labour abuse, are beyond the eyes and ears of the government." Another bureaucrat said, "Fixing minimum wage levels will result in higher unemployment and in fact, I doubt that the government can control it (minimum wage) when many small or even big companies have two accounts." The disillusionment over the difficulty of minimum wage control implementation may be the explanation.

### 3.3.4 Interest Rate Control

Table 3-8 shows that there was a significant difference between the views of the managers and the bureaucrats on interest rate control (Cramer's  $V = 0.34$ ; Mann-Whitney U Test,  $p = 0.017$ ). That is, while the managers were divided between agreement and disagreement, many of the bureaucrats disagreed that *the level of interest rates should be allowed to float freely without any control such as the fixing of maximum or minimum rates by the government*. About 34% and 49% of the managers disagreed and agreed respectively, while around 53% of the bureaucrats

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<sup>9</sup>Loc.cit.

disagreed with the statement.

**Table 3-8: Comparison of Views on Interest Rate Control.**

<b>Statement:</b>		<i>The level of interest rates should be allowed to float freely without any control such as the fixing of the maximum or minimum rates by the government.</i>			
	Rating Value	Managers (N=41)		Bureaucrats (N=30)	
Strongly Disagree	1	0 %		7 %	
Disagree	2	34		47	
Neither	3	17		23	
Agree	4	37		23	
Strongly Agree	5	12		0	
Median		3		2	
Cramer's V				0.34	
Mann-Whitney U Test		Z (corrected for ties)		-2.39	
		p (two-tailed)		0.017	
		N		Median	
		Mgrs	Bcrts	Mgrs	Bcrts
<i>Control for...</i>					
- Age					
a) 50 or below		34	13	3	3
b) 51 or above		7	17	3	2
- Training Abroad					
a) No		34	14	3	2
b) Yes		7	15	4	2
- Professional Subject					
a) Sciences		10	8	2	3
b) Social Sciences		31	21	4	2

A few managers and bureaucrats who agreed with interest rate control claimed that the measure was necessary for investment and the stability of the economy. For example, one manager said, "It will be rather difficult for a fast expanding company like ours to make an investment decision if the interest rate keeps changing too much and too quickly," while a bureaucrat said, "It is one of the instruments for the government to control inflation."

On the other hand, some managers and bureaucrats who disagreed with interest rate control based their arguments on the collusive practice of big commercial banks

and their influence on the Bank of Thailand (the central bank). One manager said, "I think this (the fixing of maximum and minimum interest rates) is unfair to smaller banks. They (the smaller banks) are more flexible and can offer higher interest rates but are prevented from doing so by the regulation. The control makes them less competitive when compared to bigger commercial banks which jointly determine the rates suitable for themselves."

One bureaucrat also held a similar opinion about the influence of big commercial banks. He said, "The Finance Minister was right when he said that Thailand may be the only country in the world where the central bank had to discuss its policy with commercial banks... A number of senior bureaucrats in the Bank of Thailand have resigned or retired to work in big commercial banks, and this allows the banks to have a considerable say in the Bank of Thailand's policy. That is why the directors of these banks are paid monthly salaries which those at the banks' counters would take a life-time to earn." The last two opinions form, in fact, a classic case for the "capture" theory of regulation. The basic proposition of this theory is that "as a rule, regulation is acquired by the industry and is designed and operated primarily for its benefit."<sup>10</sup> The regulatory agencies are "captured" by the industry they are supposed to be regulating. Put another way, this new view of regulation implies that, far from supporting the general interest by achieving efficiency gains, regulatory measures are enacted and implemented in the interests of specialist producer groups.<sup>11</sup>

Thus, despite the majority of bureaucrats agreeing with government regulation of interest rates, some were dubious about the ability of the government to formulate effectively a policy which was free from the influence of big commercial banks.

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<sup>10</sup>G. T. Stigler, "The Theory of Economic Regulation," *Bell Journal of Economic and Management Science*, Vol.2, No.1 (1971), pp.3-21, as quoted by Ricketts and Shaw, *op.cit.*, p.15.

<sup>11</sup>Ricketts and Shaw, *loc.cit.*

### 3.3.5 Foreign Exchange Control

Table 3-9 indicates that there was a significant difference between the managers' and the bureaucrats' views on the issue of foreign currency exchange control (Cramer's  $V = 0.48$ ; Mann-Whitney U Test,  $p = 0.000$ ). While most of the managers agreed that *the control of foreign currency exchange is something that the government should do*, the bureaucrats were rather undecided.

**Table 3-9: Comparison of Views on Foreign Exchange Control**

<b>Statement:</b> <i>The control of foreign currency exchange is something that the government should do.</i>					
	Rating Value	Managers (N=41)		Bureaucrats (N=30)	
Strongly Disagree	1	0 %		0 %	
Disagree	2	5		20	
Neither	3	10		40	
Agree	4	68		37	
Strongly Agree	5	17		3	
Median		4		3	
Cramer's V				0.48	
Mann-Whitney U Test		Z (corrected for ties) p (two-tailed)		-3.90 0.000	
		N		Median	
		Mgrs	Bcrts	Mgrs	Bcrts
<i>Control for...</i>					
- Age					
a) 50 or below		34	13	4	3
b) 51 or above		7	17	4	4
- Training Abroad					
a) No		34	14	4	3
b) Yes		7	15	4	3
- Professional Subject					
a) Sciences		10	8	4	3
b) Social Sciences		31	21	4	3

About 85% of the managers asked either agreed or strongly agreed with the statement, while 40% and 20% of the bureaucrats agreed and disagreed respectively.

In addition, the Table suggests that the bureaucrats who were in the 51-year-or-above age group tended to agree with the statement.

A few managers and bureaucrats who agreed with government control of foreign exchange claimed that such a control was necessary from the standpoint of economic stability. One manager said, "I agree because if everybody is allowed to exchange money freely, the exchange rate will vary too much... It is difficult for us to do trading with our customers abroad if the value of Thai Baht is uncertain." Similarly, a bureaucrat stressed that "it is important that the government creates a stable environment for businesses, and foreign exchange is part of that environment, especially for those in the export industry."

### 3.3.6 Variety of Economic Beliefs

Overall the general impression of the findings in this section suggests that business managers are not always against government regulations; their opposition to or favour of government regulations is selective. While the majority of the managers interviewed in this research were opposed to government control over prices, they were divided on the issue of interest rate control, and even welcomed government regulation concerning product standards, minimum wages, and foreign currency exchange.

At the same time the senior bureaucrats were not always in favour of regulations as one would expect. Even though the majority of the bureaucrats interviewed were in favour of product standard regulation and interest rate control, they were, unexpectedly, divided and indecisive on the regulation of prices, the establishment of minimum wages and the control of foreign currency exchange. Moreover, compared to past findings, the bureaucrats can be said to be becoming more liberal in terms of economic ideology. In 1978, a survey found that 93% of 88 middle level bureaucrats agreed with the statement that "government control of private business is very necessary because if there is no control, private business will seek personal interest to

an extent which is detrimental to the public interest," and that 73% agreed that "government control over private businesses should be increased."<sup>12</sup>

### 3.4 GOVERNMENT ASSISTANCE TO FIRMS

Whereas industrial policy is the main subject treated by the literature on government and business relations, as mentioned in the Chapter 1, government intervention tends to be at the heart of any discussion of industrial policy. In addition to the concept of industrial policy discussed earlier, Young broadly gave the definition of "intervention" as "those attempts (by the government) to make firms -directly through controls and indirectly through non-regulatory measures- act in ways they could not or would not have otherwise been able to do."<sup>13</sup> In the previous section, one form of government intervention, regulation, which can be regarded as "sticks," has been discussed; in this section another form of intervention, government financial assistance or "carrots," will be looked at. It will examine how senior bureaucrats and managers think about the various kinds of government financial assistance (subsidies, loans, and tax concessions) to different types of firms (newly established companies, expanding companies, and companies in financial trouble).

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<sup>12</sup>Sujit Boonbongkarn, "Tasana Tua Pai Kong Karn Borihan Pak Rataban Lae Pak Ekachon" (General Attitudes towards the Public Administration and Private Management), in Samakom Karn Jatkarn Turakij Hang Prathet Thai (Thai Management Association), op.cit., pp.39-40.

<sup>13</sup>Stephen Young, *Intervention in the Mixed Economy: The Evolution of British Industrial Policy 1964-72* (London: Croom Helm, 1974), p.29.

**Table 3-10: Comparison of Views on Government Assistance to Newly Established Companies**

**Statement:** *The government should promote newly established companies which are not strong enough to compete in the market by giving them*  
*a) subsidies*  
*b) loans at a rate which is lower than that of commercial banks*  
*c) tax concessions*

	Rating Value	Subsidies		Loans		Tax Concessions	
		Managers (N=41)	Bureaucrats (N=30)	Managers (N=41)	Bureaucrats (N=30)	Managers (N=41)	Bureaucrats (N=30)
Strongly Disagree	1	7 %	10 %	0 %	0 %	0 %	0 %
Disagree	2	54	70	32	53	10	13
Neither	3	15	10	27	17	15	3
Agree	4	20	10	39	30	56	77
Strongly Agree	5	5	0	2	0	20	7
Median		2	2	3	2	4	4
Cramer's V			0.23		0.24		0.28
Mann-Whitney U Test							
Z (corrected for ties)			-1.69		-1.62		-0.43
p (two-tailed)			0.091		0.105		0.666

### 3.4.1 Assistance to Newly Established Companies

Table 3-10 shows that both the managers and the bureaucrats shared a common dislike of subsidising newly established companies (Cramer's  $V = 0.23$ ). Most of them disagreed that *the government should promote newly established companies which are not strong enough to compete in the market by giving them subsidies* (Mann-Whitney U Test,  $p = 0.091$ ). According to the Table, about 61% of the managers and 80% of the bureaucrats either disagreed or strongly disagreed with the statement.

A few managers and bureaucrats emphasised the impracticality of government subsidies as their reason for disagreement. "It is impossible for the government to give a subsidy to every new company. If some companies are chosen to receive a government subsidy, there will be a big dispute about the criteria used," one manager argued. One bureaucrat also said, "I do not know where the money will come from. The government are not rich and there is a big budget deficit now. Moreover, this is rather unfair to taxpayers. How does the government know that that particular business is going to be successful." The above opinion is, actually, quite economically liberal. One manager of an export-oriented garment-manufacturing companies added, "Government subsidies will only give another excuse for other countries to levy tariffs on our exports."

On the issue of the government giving loans to newly established companies, there was a general division of opinion between the managers and the bureaucrats (Cramer's  $V = 0.24$ ; Mann-Whitney U Test,  $p = 0.105$ ). While many of the bureaucrats still disagreed that *the government should promote newly established companies which are not strong enough to compete in the market by giving them loans at a rate which is lower than that of commercial banks*, the managers were divided between agreement and disagreement. According to Table 3-10, whereas about 53% of the bureaucrats disagreed with the statement, 32% of the managers



disagreed and another 41% agreed.

Several managers and the bureaucrats who rejected the idea of government loans gave the same impracticality as that mentioned in the case of government subsidies as the reason for their disagreement. One manager also added, "By giving soft loans to new companies, the government will attract them into indebtedness before they can make any profit. I have seen several new companies who were in a hurry to expand their operation... they often ended up making profits which had to be used to pay off the interest incurred by the loan." But one manager who agreed with government loans argued, "Yes, this is necessary because at the beginning most companies have difficulty securing loans from commercial banks." At the same time, another manager rejected the statement by saying, "No, I do not agree. It is not the government's job. If the business is attractive enough or viable, the commercial banks will certainly give loans to them."

However, when it came to giving tax concessions as a kind of financial assistance to newly established companies, there was a consensus between the managers and the bureaucrats (Cramer's  $V = 0.28$ ). That is, both of them agreed that *the government should promote newly established companies which are not strong enough to compete in the market by giving them tax concessions* (Mann-Whitney U Test,  $p = 0.666$ ). According to Table 3-10, around 75% of the managers and 83% of the bureaucrats agreed with the statement. In fact, most of the managers and the bureaucrats who disagreed with the use of subsidies or loans positively said, "This is okay."

**Table 3-11: Comparison of Views on Government Assistance to Expanding Companies**

Statement:	Rating Value	Subsidies			Loans			Tax Concessions		
		Managers (N=41)	Bureaucrats (N=30)	%	Managers (N=41)	Bureaucrats (N=30)	%	Managers (N=41)	Bureaucrats (N=30)	%
Strongly Disagree	1	5	13	5 %	5	7	5 %	2	0	0 %
Disagree	2	60	77	60 %	37	60	60 %	29	27	27 %
Neither	3	20	7	20 %	24	13	13 %	17	7	7 %
Agree	4	12	3	12 %	34	20	20 %	49	63	63 %
Strongly Agree	5	5	0	5 %	0	0	0 %	2	3	3 %
Median		2	2		3	2		4	4	
Cramer's V			0.32			0.25			0.21	
Mann-Whitney U Test										
Z (corrected for ties)			-2.67			-1.87			-1.09	
p (two-tailed)			0.008			0.061			0.274	

*The government should promote companies which are expanding and are in a growth industry by giving them*  
*a) subsidies*  
*b) loans at a rate which is lower than that of commercial banks*  
*c) tax concessions*

### 3.4.2 Assistance to Expanding Companies

Table 3-11 shows that both the managers and the bureaucrats had a similar dislike for subsidising expanding companies (Cramer's  $V = 0.32$ ). That is, while the managers disagreed, the bureaucrats more strongly disagreed that *the government should promote companies which are expanding and are in a growth industry by giving them subsidies* (Mann-Whitney U Test,  $p = 0.008$ ). Whereas about 63% of the business managers disagreed with the statement, 90% of the senior bureaucrats disagreed.

Several of the business managers and senior bureaucrats again mentioned the impracticality of government subsidies, giving, for example, scarce money resources and the criteria for choosing the firms which would receive the subsidy as their reasons for disagreement. One bureaucrat added, "Subsidies are no longer popular with the government. Once businesses have been given the subsidy, they never stop asking for more money. It is like pouring money into a bag with a big hole in the bottom... Subsidies to whatever kind of companies are unwise for and too costly to the government."

Voicing their views on government loans as a means of financial assistance for expanding companies, the managers and the bureaucrats again had different opinions as in the case of newly established companies (Cramer's  $V = 0.25$ ). That is, while the managers were generally divided in opinion, the majority of the bureaucrats opposed the idea that *the government should promote companies which are expanding and are in a growth industry by giving them loans at a rate which is lower than that of commercial banks* (Mann-Whitney U Test,  $p = 0.061$ ). While around 67% of the bureaucrats disagreed with the statement, 42% of the managers disagreed and another 34% agreed.

A few bureaucrats and managers believed that expanding companies ought to be able to finance themselves and rely less on government financial support. For

instance, one bureaucrat said, "Why should the government give loans to expanding companies? If they want to expand their business or make further investments, they should be able to get the projects going by themselves." One manager of a relatively small processed-food company who disagreed with the statement said, "I do not agree. The government often gives loans to bigger companies but seldom care about smaller companies. Big companies have already made a lot of money and had good credit; they do not necessary need the government loans, but the government still want to give them... At the same time those small companies which desperately need the loans are given little financial help from the government." This opinion seems to confirm the suggestion made by Scase and Goffee that small companies are likely to ideologically suspicious of government.<sup>14</sup>

Nevertheless, both the managers and the bureaucrats shared similar opinions about using tax concessions as government financial assistance to firms (Cramer's  $V = 0.21$ ). Many of them agreed that *the government should promote companies which are expanding and are in a growth industry by giving them tax concessions* (Mann-Whitney U Test,  $p = 0.274$ ). According to Table 3-11, about 51% of the managers and 67% of the bureaucrats either agreed or strongly agreed with the statement.

It is interesting to note an observation made by one bureaucrat at the Revenue Department. He said, "This (tax concessions) is not too bad. Anyway, it is normally difficult to collect taxes from businesses." He, quite obviously, held the view that companies would usually try to avoid paying taxes. On the other hand, some of the managers believed that government tax concessions were necessary for Thai businesses to survive in the current fierce competition with foreign companies. A manager said, "Giving tax concessions is something that most other countries' governments do... If they are not doing it now, they have already done it several years ago... Thai companies need government tax concessions in order to be able to compete in the present world market."

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<sup>14</sup>See R. Scase and R. Goffee, *The Real World of the Small Business Owner* (London: Croom Helm, 1980).

**Table 3-12: Comparison of Views on Government Assistance to Companies in Financial Trouble**

**Statement:** *The government should help companies which are in financial trouble because of bad economic conditions by giving them*  
*a) subsidies*  
*b) loans at a rate which is lower than that of commercial banks*  
*c) tax concessions*

Rating Value	Subsidies			Loans			Tax Concessions		
	Managers (N=41)	Bureaucrats (N=30)	%	Managers (N=41)	Bureaucrats (N=30)	%	Managers (N=41)	Bureaucrats (N=30)	%
Strongly Disagree	17	23	10	10	13	12	12	7	7
Disagree	66	60	56	56	67	29	29	63	63
Neither	7	10	17	17	10	22	22	7	7
Agree	10	7	17	17	10	34	34	23	23
Strongly Agree	0	0	0	0	0	2	2	0	0
Median	2	2	2	2	2	3	3	2	2
Cramer's V		0.11			0.16			0.36	
Mann-Whitney U Test									
Z (corrected for ties)		-0.50			-1.23			-1.57	
p (two-tailed)		0.616			0.218			0.116	

### 3.4.3 Assistance to Companies in Financial Trouble

Table 3-12 indicates that the managers and the bureaucrats shared a common disagreement with giving government subsidies to companies in financial trouble (Cramer's  $V = 0.11$ ). That is, most of them disagreed that *the government should help companies which are in financial trouble because of bad economic conditions by giving them subsidies* (Mann-Whitney U Test,  $p = 0.616$ ). Up to 85% of the managers and 83% of the bureaucrats either disagreed or strongly disagreed with the statement.

Again, the impracticality of government subsidies, as in the case of newly established and expanding companies, was raised by several of the managers and the bureaucrats as the reason for their disagreement; however, they were more critical in the case of companies in financial trouble. As one senior bureaucrat said, "This is the worst thing the government can do. If a company cannot make any profit or survive, then it should quit and go." Another manager added, "Subsidies in any form are bad, but the worst thing is to subsidise a failing company."

In addition, the majority of the managers and the bureaucrats also shared a similar disagreement with the idea that *the government should help companies which are in financial trouble because of bad economic conditions by giving them loans at a rate which is lower than that of commercial banks* (Cramer's  $V = 0.16$ ; Mann-Whitney U Test,  $p = 0.218$ ). According to Table 3-12, about 66% of the managers and up to 80% of the bureaucrats disagreed with the statement.

Disagreeing with the statement, one manager said, "It is just a way of postponing the trouble. Giving government loans is not the solution to the problem." Another bureaucrat added, "I doubt if the loans can ever be paid back to the government when the company is already in financial difficulty."

However, the managers seemed to disagree less when it came to giving tax concessions as a kind of government assistance to companies in financial trouble,

while the bureaucrats still disagreed (Cramer's  $V = 0.36$ ). Whereas the managers were generally divided in opinion, most of the bureaucrats disagreed that *the government should help companies which are in financial trouble because of bad economic conditions by giving them tax concessions* (Mann-Whitney U Test,  $p = 0.116$ ). According to Table 3-12, while around 37% of the managers agreed and another 42% disagreed, up to 70% of the bureaucrats disagreed with the statement.

One bureaucrat said, "Tax concessions are used to foster economic growth and more investment, not to prolong economic problems." Another manager said, "The management should be blamed if a company is in financial trouble... Why does the government have to take the responsibility?" However, one manager who agreed with the statement said, "The government tax concessions are OK. Anyway, how can the government collect tax from them when they are not making any profit?"

In general, the impression given by the data is that both the managers and the bureaucrats were not in favour of or even against protecting companies which are in financial trouble.

#### **3.4.4 Choice of Companies and Forms of Government Assistance**

Up to this stage of the discussion, it can be seen that whether the managers and the bureaucrats agreed or disagreed with government financial assistance to firms, their views depended on the form of the assistance as well as the type of companies receiving help. While the majority of the managers and the bureaucrats preferred tax concessions to loans and subsidies as a means of government assistance; they were in favour of newly established companies receiving assistance than expanding companies or companies in financial trouble.

**Table 3-13: Choice of Companies and Forms of Government Assistance**

Type of Company	Method of Assistance				Friedman 2-Way Anova <sup>a</sup> (DF=2)	
	(Mgrs) (Bcrts)	Subsidies (Median) <sup>b</sup>	Loans (Median)	Tax Concessions (Median)	X <sup>2</sup>	Significance
Newly Established	2	2	3	4	25.28	0.000
Expanding	2	2	2	4	23.27	0.000
In Trouble	2	2	3	4	7.94	0.019
	2	2	2	4	22.40	0.000
	2	2	2	3	11.35	0.003
	2	2	2	2	3.62	0.164
<b>Friedman 2-Way Anova<sup>c</sup> (DF=2)</b>						
Managers		X <sup>2</sup>	Sig.	X <sup>2</sup>	Sig.	
Bureaucrats		7.70	0.021	11.87	0.003	19.77
		1.02	0.602	4.32	0.116	17.55
						0.000
						0.000

Note <sup>a</sup> Comparing across methods of assistance.

<sup>b</sup> 1= Strongly Disagree, 2 = Disagree, 3 = Neither Agree Nor Disagree, 4 = Agree, and 5 = Strongly Agree.

<sup>c</sup> Comparing across types of company.



Table 3-13 further confirms the above findings. When comparing the methods of government financial assistance, tax concessions were found to be most welcomed by both the managers and the bureaucrats. According to Table 3-13, with regard to giving financial assistance to newly established or expanding companies, while the managers were undecided about government loans and in disagreement with subsidies, they agreed with tax concessions (Friedman 2-Way Anova: newly established companies,  $p = 0.000$ ; expanding companies,  $p = 0.019$ ). Similarly, the bureaucrats agreed with tax concessions but disagreed with government loans or subsidies (newly established companies,  $p = 0.000$ ; expanding companies,  $p = 0.000$ ). However, with regard to companies in financial trouble, while the managers disagreed with both government loans and subsidies, they were undecided about tax concessions as a form of government financial assistance ( $p = 0.003$ ); in contrast, the bureaucrats tended to reject all the three methods of assistance without discrimination ( $p = 0.164$ ).

A comparison of the respondents' opinion about the types of company receiving government assistance was also made. According to Table 3-13, most of the managers and the bureaucrats rejected the idea of the government giving subsidies to firms, regardless of the types of company (Friedman 2-Way Anova,: managers,  $p = 0.021$ ; Bureaucrats,  $p = 0.602$ ). In the case of giving loans to firms as a form of government financial assistance, the bureaucrats still disagreed regardless of the types of the company ( $p = 0.116$ ), while the managers held the same opinion regarding companies in financial trouble but were undecided about newly established or expanding companies ( $p = 0.003$ ). Nevertheless, the bureaucrats agreed with giving tax concessions to newly established or expanding companies but not to companies in financial trouble ( $p = 0.000$ ), whereas the managers agreed with the bureaucrats with regard to newly established or expanding companies, but were undecided in the case of companies in financial trouble ( $p = 0.000$ ).

In short, even though government loans and tax concessions are actually

different forms of subsidisation, the managers and the bureaucrats preferred them to government subsidies. The preference may be interpreted another way as follows: the more indirect the government financial assistance was, the more acceptable to the managers and the bureaucrats it became. That is, whereas direct subsidisation is too costly and expensive for the government, indirect assistance such as soft loans or tax concessions are more affordable and acceptable. Likewise, regarding the types of company, the newer and more potentially successful the companies were, the more suitable the managers and the bureaucrats believed they were to receive government financial assistance.

### 3.5 CONSISTENCY OF THE ECONOMIC IDEOLOGY

As discussed earlier in Chapter 1, the literature often seems to suggest a spectrum of government and business relations in various countries, in terms of the prevailing or dominant economic role of the state. The spectrum of the relations is characterised by the United States at one end representing the non-interventionist, market-led state and Japan at another end representing the interventionist state. Countries like Britain, West Germany, and France are placed between the two ends, ranging from the non-interventionist to interventionist state. And more recently, Canada has been placed on the spectrum somewhere between the United States and Britain.<sup>15</sup> Some features of the interventionist state are proactive government discriminatory policy and firm-level intervention as well as informal, regular, stable, and cooperative contact and consultation between government and business. In contrast, the non-interventionist state is characterised by reactive government non-discriminatory policy and industry-level intervention as well as formal, irregular, ad hoc, and suspicious contact and consultation between government and business.<sup>16</sup>

<sup>15</sup>Wyn Grant, *Government and Industry: A Comparative Analysis of the US, Canada and the UK* (Hants: Edward Elgar, 1989), p.8.

<sup>16</sup>Stephen Wilks and Maurice Wright, *Comparative Government-Industry Relations: Western Europe, the United States, and Japan* (Oxford, Clarendon Press, 1987), Table 12.1.

The spectrum of government and business relations suggested by the literature does not stand alone but is paralleled by a range of ideology characterised by "individualism" at one end and "communitarianism" at another end. Whereas the traditional ideology of a non-interventionist state like the United State exemplifies individualism, that of a interventionist state like Japan, Korea, or Taiwan exemplifies communitarianism.<sup>17</sup>

Against such classification of countries, the study attempts, as mentioned at the beginning of the chapter, to locate where the economic ideology of Thai elite lies. Unfortunately, as far as the consistency of the economic ideology is concerned, the attempt has failed. Not only did the managers and the bureaucrats differ, between themselves as well as within themselves, in their views on the economic role of the government, on government regulation, and on government assistance to firms, each individual manager and bureaucrat also showed little consistency in his or her economic views. The following correlation analysis will demonstrate this ideological inconsistency.

### **3.5.1 Free Market versus the Economic Role of the Government**

Table 3-14 shows that there was little consistency or even contradiction in each of the managers' and the bureaucrats' views on a free market economy and on the economic role of the government.

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<sup>17</sup>George C. Lodge and Erza F. Vogel, editors, *Ideology and National Competitiveness: An Analysis of Nine Countries* (Massachusetts: Harvard Business School Press, 1987), pp.9-15.

**Table 3-14: Consistency of the Economic Ideology -Free Market versus the Economic Role of the Government**

The Economic Role of the Government <sup>b</sup>	Free Market Economy <sup>a</sup>					
	Managers (N=41)			Bureaucrats (N=30)		
	Kendall Corr. Coeff. T	Sig. (two-tailed)		Kendall Corr. Coeff. T	Sig. (two-tailed)	
Public Ownership	-0.01	0.935		0.07	0.664	
Public and Private Joint-Ventures	0.34	0.015		-0.14	0.404	
Industry Protection	0.00	0.977		0.04	0.829	

Note: a For full statements, see the previous Tables.

b For full statements, see the previous Tables.

Theoretically, it would be expected that the manager or the bureaucrat who believed in free market economy would disagree with, to a certain extent, the idea of public ownership, public and private joint-ventures, or industry protection (in this case the correlation figures should be negative). However, the Table suggests that the manager who believed in the free market economy, on the contrary, tended to support public and private joint-ventures as a way of promoting industry (Kendall Correlation Coefficient  $T = 0.34$ ,  $p = 0.02$ ), or vice versa. In addition, it was hardly possible to say that there was any association between the manager's free market belief and his view on the government ownership of business ( $T = -0.01$ ,  $p = 0.935$ ) or on the protection of local industry by using trade barriers ( $T = 0.00$ ,  $p = 0.977$ ).

Similarly, Table 3-14 also suggests that the bureaucrat who supported the idea of a free market economy did not necessarily have to oppose to the idea of creating public and private joint-ventures as a way of promoting industry (Kendall Correlation Coefficient  $T = -0.14$ ,  $p = 0.404$ ). Moreover, as with the managers, there was very little association between each of the bureaucrats' free market belief and his view on the government ownership of business ( $T = 0.07$ ,  $p = 0.664$ ) or on the protection of local industry by using trade barriers ( $T = 0.04$ ,  $p = 0.829$ ).

### **3.5.2 Free Market versus Government Regulation**

Table 3-15 indicates that while there was some consistency in each of the managers' views on a free market economy and on government regulation, there were contradictions in the bureaucrats' views.

**Table 3-15: Consistency of the Economic Ideology -Free Market versus Government Regulation**

Government Regulation <sup>b</sup>	Free Market Economy <sup>a</sup>			
	Managers (N=41)		Bureaucrats (N=30)	
	Kendall Corr. Coeff. T	Sig. (two-tailed)	Kendall Corr. Coeff. T	Sig. (two-tailed)
Non-Intervention in Pricing	0.29	0.032	-0.06	0.717
Product Standard Regulation	-0.26	0.066	0.21	0.202
Minimum Wage Regulation	0.03	0.849	0.18	0.281
Free Floating Interest Rates	0.10	0.469	-0.23	0.157
Foreign Exchange Control	0.11	0.446	0.12	0.474

Note: <sup>a</sup> For full statements, see the previous Tables.

<sup>b</sup> For full statements, see the previous Tables.

The Table suggests that the manager who supported the idea of a free market economy, consistently, was likely to disagree with government intervention in prices (Kendall Correlation Coefficient  $T = 0.29$ ,  $p = 0.032$ ) and in product standard regulation ( $T = -0.26$ ,  $p = 0.066$ ), and agreed with the idea of free floating interest rates ( $T = 0.10$ ,  $p = 0.469$ ), or vice versa. He was, however, slightly likely to agree with foreign currency exchange control ( $T = 0.11$ ,  $p = 0.446$ ). In addition, there was little evidence to suggest that there was any association between the manager's free market belief and his view on minimum wage regulation ( $T = 0.03$ ,  $p = 0.849$ ).

The inconsistency between the views on a free market economy and on government regulation was high for each of the bureaucrats. Table 3-15 suggests that the bureaucrat who believed in free market economy was, on the contrary, likely to agree with product standard regulation (Kendall Correlation Coefficient  $T = 0.21$ ,  $p = 0.202$ ), government minimum wage control ( $T = 0.18$ ,  $p = 0.281$ ), government control of interest rates ( $T = -0.23$ ,  $p = 0.157$ ), and foreign currency exchange control ( $T = 0.12$ ,  $p = 0.474$ ), or vice versa. However, there was little evidence to suggest what he would think about government price intervention ( $T = -0.06$ ,  $p = 0.717$ ).

### **3.5.3 Free Market versus Government Financial Assistance**

Table 3-16 shows that there was little consistency or even contradiction in each of the managers' view on a free market economy and his view on government financial assistance to firms but that there was a moderate consistency in these two views of the bureaucrats.

**Table 3-16: Consistency of the Economic Ideology- Free Market versus Government Financial Assistance**

		Free Market Economy <sup>a</sup>			
		Managers (N=41)		Bureaucrats (N=30)	
Government Assistance <sup>b</sup>	Method	Kendall Corr.Coeff.T	Sig. (two-tailed)	Kendall Corr.Coeff.T	Sig. (two-tailed)
Newly Established	Subsidies	0.15	0.288	-0.17	0.314
	Loans	0.13	0.355	-0.01	0.946
	Tax Concessions	0.02	0.902	-0.04	0.804
Expanding	Subsidies	0.09	0.534	-0.23	0.177
	Loans	-0.13	0.364	-0.15	0.379
	Tax Concessions	-0.22	0.123	0.17	0.328
In Trouble	Subsidies	0.06	0.651	-0.19	0.256
	Loans	0.04	0.785	-0.21	0.214
	Tax Concessions	-0.01	0.959	-0.17	0.318

Note: <sup>a</sup> For full statements, see the previous Tables.

<sup>b</sup> For full statements, see the previous Tables.



According to the Table, the managers who believed more in free market economy, on the contrary, would support the idea of giving government subsidies and loans to newly established companies (Kendall Correlation Coefficient: subsidies,  $T = 0.15$ ,  $p = 0.288$ ; loans,  $T = 0.13$ ,  $p = 0.355$ ). However, he was, consistently, likely to disagree with the government giving loans and tax concessions to expanding companies (loans,  $T = -0.13$ ,  $p = 0.364$ ; tax concessions,  $T = -0.22$ ,  $p = 0.123$ ). Nevertheless, there was little evidence to establish that there was an association between his free market belief and his agreement or disagreement with government tax concessions to newly established companies ( $T = 0.02$ ,  $p = 0.902$ ), with government subsidies to expanding companies ( $T = 0.09$ ,  $p = 0.534$ ), and with government financial assistance to companies in financial trouble (subsidies,  $T = 0.06$ ,  $p = 0.651$ ; loans,  $T = 0.04$ ,  $p = 0.785$ ; and tax concessions,  $T = -0.01$ ,  $p = 0.959$ ).

However, the bureaucrats were more consistent ideologically than the managers in this aspect. That is, the bureaucrat who believed more in the idea of a free market economy would consistently oppose to the idea of giving government financial assistance to companies in financial trouble (Kendall Correlation Coefficient: subsidies,  $T = -0.19$ ,  $p = 0.256$ ; loans,  $T = -0.21$ ,  $p = 0.214$ ; and tax concessions  $T = -0.17$ ,  $p = 0.318$ ). He also consistently tended to disagree with the government giving subsidies to both newly established companies ( $T = -0.17$ ,  $p = 0.314$ ) and expanding companies ( $T = -0.23$ ,  $p = 0.177$ ), and with giving loans to expanding companies ( $T = -0.15$ ,  $p = 0.379$ ). But he, on the contrary, tended to agree with giving government tax concessions to expanding companies ( $T = 0.17$ ,  $p = 0.328$ ). Nevertheless, there was little evidence to suggest that there was any association between his free market belief and his agreement or disagreement with government giving loans or tax concessions to newly established companies (loans,  $T = -0.01$ ,  $p = 0.946$ ; tax concessions,  $T = -0.04$ ,  $p = 0.804$ ).

### 3.5.4 Is There an Economic Ideology?

The research findings, showing little consistency or even contradiction between the free market belief and the views on the government's economic role, regulation, and financial assistance to firms within each of the managers and the bureaucrats, do not only prevent the research from putting the prevailing economic ideology in Thailand into perspective in relation to the interventionist, state-led and non-interventionist, market-led spectrum of government and business relations, but also lead one to ask, "Is there something called economic ideology?"

The ideological inconsistency discussed here should be distinguished from inconsistent economic practices. Of course, it is known that while several countries claim to have a free market economy, the practices of industry protection or subsidisation are prevalent, and of course, it is also known that in few situations do people behave as they believe or think. But the inconsistency found here is at the level of a manager's or bureaucrat's thinking.

Thus, it is asked, "Are the managers or the bureaucrats hypocritical?" Do they agree or disagree with certain economic practices out of self-interest? To answer "yes" to the above question would certainly run into a less than useful conclusion, which was criticised by Sutton and others who studied the American business beliefs more than three decades ago. As they put it, "They (the conclusions) reduce to a tautology: 'Men act in their own interest' becomes 'Men act as they are motivated to act'."<sup>18</sup>

The explanation for ideological inconsistency offered here is that the free market belief may not be the underlying basis for other beliefs such as the government's economic role, regulation, or financial assistance to firms. For example, it was rather rare in this research that a respondent who disagreed with government regulation of product standards or foreign currency exchange control, or agreed with the free

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<sup>18</sup>Francis X. Sutton et al., *The American Business Creed* (Cambridge: Harvard University Press, 1956), p.13.

floating interest rate justified his disagreement or agreement by arguing that because he believed in free enterprises, therefore, he rejected this idea and accepted the other. Instead, many of the respondents justified their opinions, as discussed earlier, by citing other beliefs, such as fairness, economic practicality, industry image, or economic stability, just to mention a few, as their reasons for agreement or disagreement. Or put it differently, there are beliefs other than the free market belief which are considered more important in certain circumstances by Thai business managers and senior bureaucrats.

In addition, as one of the managers put it earlier, business is after all entrepreneurship. And while entrepreneurship is one of the fundamental driving forces of the free market mechanism, it is itself a short-term monopoly. As pointed out more than five decades ago by Schumpeter, potential temporary monopoly profits are the motives behind entrepreneurship.<sup>19</sup> Therefore, the inconsistency of the managers' and the bureaucrats' economic ideology may be the result of their understanding of the scope of the government's economic role in a free market economy.

However, while being able to appreciate the ideological inconsistency by accepting the above explanation, one should also be careful in the interpretation of the association, when found, between the free market belief and the other beliefs such as the government's economic role, regulation, and assistance to firms. For instance, those managers or bureaucrats who disapproved of government subsidies might, at the same time, believed in free market economy, resulting in the association (high correlation) found. But it would be misleading to believe fully that because they held the free market belief, they therefore rejected the idea of the government subsidies since some of them, regardless of whether they believed in the free market or not, may have disapproved of government subsidies because of their impracticality and

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<sup>19</sup>J. A. Schumpeter, *The Theory of Economic Development* (Cambridge: Harvard University Press, 1934), p.132, as quoted by Martin Binks and Philip Vale, *Entrepreneurship and Economic Change* (London: McGraw-Hill, 1990), p.30.

unpopularity.

### 3.6 SUMMARY

In this chapter, the economic ideology of Thai senior bureaucrats and business managers are examined and compared. Against the tendency of the literature which often places a country's business-government relationship on the spectrum of interventionist and non-interventionist states, the empirical findings of this research suggest that there was little consistency or even contradiction in each of the bureaucrats' and the managers' economic beliefs. In fact, it was found that pragmatic considerations and issue-by-issue judgement, rather than the theoretical free market principle, frequently dominated the managers' and the bureaucrats' economic views. This pragmatic domination results in variety in an individual's economic ideology, which should be taken into account when interpreting a sweeping suggestion given by the literature, for example, that a country has a communitarian ideology and government intervention is taken as a fact of life. However, despite the prevalence of a variety of opinions, the data suggest that overall the difference between the managers' and the senior bureaucrats' economic ideology was not great. Moreover, compared with earlier findings, the senior bureaucrats have become relatively economically liberal.

## **Chapter 4**

### **Business and Politics:**

#### **A Comparison of the Beliefs of Thai Bureaucrats and Managers**

##### **4.1 Introduction**

##### **4.2 Forms of Government and Business Relations**

##### **4.3 The Political Role of Business**

##### **4.4 Business Participation in Government Policy Making**

##### **4.5 Consistency of the Beliefs**

##### **4.6 Summary**

**CHAPTER 4**  
**BUSINESS AND POLITICS: A COMPARISON**  
**OF THE BELIEFS OF THAI BUREAUCRATS AND MANAGERS**

**4.1 INTRODUCTION**

The literature on government and business relations in Thailand suggests that major changes in business influence on the government and its bureaucracy have taken place since the early 1970s. Riggs argued that during the three decades following the overthrow of the country's absolute monarchy in 1932, Thai politics was a bureaucratic polity -a political system in which the political elite were drawn from and reflected the interests of the bureaucracy.<sup>1</sup>

Skinner added that in such a political context, the former business community, dominated by Chinese immigrants and possessing an alien image, was unavoidably confronted by the hostile and nationalistic policy of the government.<sup>2</sup> In addition, he stated that the Chinese businessmen, facing such difficulties, found it necessary to develop business ties with influential Thai officials for several reasons. He reasoned that, first of all, such ties were helpful if not essential in obtaining routine licences and permits. Second, business ties offered greater security from police interrogation, extortion, or arrest. And third, besides facilitating routine business and giving security, these ties also yielded special privileges for the Chinese businessmen.<sup>3</sup>

He also stated that Chinese businessmen had several ways of effecting business alliances or connections with influential Thai officials to secure their permanent

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<sup>1</sup>Fred W. Riggs, *Thailand: The Modernization of a Bureaucratic Polity* (Honolulu: East-West Center Press, 1966), p.319.

<sup>2</sup>William G. Skinner, *Leadership and Power in the Chinese Community of Thailand* (Ithaca: Cornell University Press, 1958), pp.186-190.

<sup>3</sup>*Ibid.*, pp.303-304.

support. First, the Chinese businessmen reorganised many of their commercial and financial corporations to include top government officials and members of the Thai elite on the boards of directors. Second, new corporations were formed on a cooperative pattern, whereby the Chinese supplied the capital and entrepreneurial skill and the Thai officials supplied protection for the Chinese, official privileges, and, in some cases, government contracts. And third, Chinese businessmen with Thai citizenship joined semi-official Thai enterprises in a managerial capacity.<sup>4</sup>

In effect, government and business relations between 1932 and 1973 resulted in clientelism -a complex pattern of vertical linkages arising from the exchange of protection and support between a powerful personage (patrons) and a shifting array of lesser actors (clients). Business antagonistically cooperated with influential government officials.<sup>5</sup> More specifically, the influence of business groups on the government was minimal and affected the policy of the state mainly in an informal, ad hoc and clientelistic manner.

However, recent literature suggests that since the student's revolution in 1973, which led to the overthrow of the military regime, the government and business relations have changed.<sup>6</sup> For example, Anek Laothamatas stated that under the new regime -the semidemocratic government (up to 1988)-<sup>7</sup> two modern forms of political influence by business have increased remarkably: direct participation in the parliament and the cabinet, both through elections and the support of the parties; and

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<sup>4</sup>Ibid., pp.191-192.

<sup>5</sup>Pisan Suriyamongkol and James F. Guyot, *The Bureaucratic Polity at Bay* (Bangkok: National Institution of Development Administration, 1986), p.4.

<sup>6</sup>For more detailed discussions of the formation of pressure groups other than business interests groups after the student's revolution see, Prudhisan Jumbala, "Towards a Theory of Group Formation in Thai Society and Pressure Groups in Thailand after the October 1973 Uprising," *Asian Survey*, Vol.14, No.6 (June, 1974), pp.530-545.

<sup>7</sup>Chai-anan Samudavanija, *Democracy in Thailand: A Case of a Stable Semi-Democratic Regime*, paper prepared for the Conference on the Comparative Study of Democracy in Developing Nations, Stanford University, December 1985, is an original formulation of the "semi-democratic" model and an analysis of its working, as quoted by Anek Laothamatas, "Business and Politics in Thailand: New Patterns of Influence," *Asian Survey*, Vol.XXVII, No.4 (April, 1988), p.452.

group-based lobbying or membership in the Joint Public-Private Consultative Committees (JPPCCs)<sup>8</sup> (for more details about the JPPCC scheme, see Appendix D of this thesis). He concluded that:

"Our preliminary study suggests that businessmen now can influence politics and policy both particularistically and, what is more significant, collectively. This, together with other advantages, such as increasing social prestige, employment and investment decision-making power, and heavy representation in parties, the parliament, and the cabinet, makes business a nonbureaucratic group with substantial political power in Thailand today. The 'semidemocratic' policy is different form the previous 'bureaucratic policy' not only in terms of its institutions - a competitive party system, and elected house of representatives, and free elections- but also in its political power distribution. It has produced the environment in which a nonbureaucratic force, other than the monarch, is allowed a substantial share in public policy making."<sup>9</sup>

In view of the impression given above by Laothamatas, this chapter will study how the contemporary Thai elite think about the active role of business in public policy making. In particular, it will ask the senior bureaucrats and the managers how they think business should relate to the government and vice versa. Is business politics good or bad for Thailand? Should business participate in public policy making, how, and what do they think the consequences of this participation will be?

## 4.2 FORMS OF GOVERNMENT AND BUSINESS RELATIONS

The relationship between government and business is dynamic and changes over time. Willott, as well as those writers of the macro-perspective school mentioned earlier in Chapter 1, held the view that "differing social, economic, educational and cultural traditions shape the relationship between government and industry."<sup>10</sup> This

<sup>8</sup>Laothamatas, op.cit., pp.452-461.

<sup>9</sup>Ibid., p.470.

<sup>10</sup>Brian Willott, "Relations between Government and Industry," *Ditchley Journal*, Vol. 3 (Autumn, 1976), p.39.



section will examine how contemporary Thai managers and senior bureaucrats believe the government should relate to the business community and vice versa. In addition, these beliefs will be compared to those of the past.

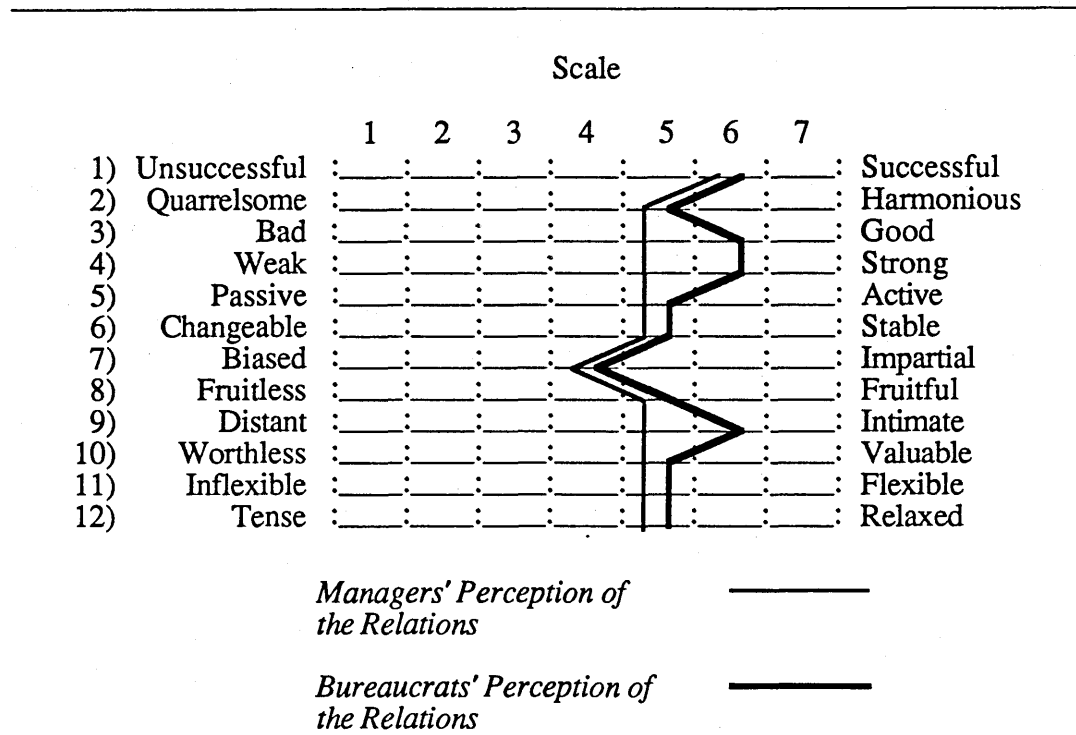
#### **4.2.1 Current Perception of Government and Business Relations**

First, the section looks at how managers and senior bureaucrats think of government and business relations in Thailand during the past 12 months (it should again be noted here that the survey was carried out between April and August, 1989).

Figure 4-1 shows the comparative profiles of the perception of the bureaucrats and the managers of the relationship between government and business during the past 12 months, rated on the 7-point semantic differential scales. According to the two profiles, both the bureaucrats and the managers similarly held a positive perception of the business-government relationship. That is, they both perceived the relationship during the past 12 months to have been successful, harmonious, good, strong, active, stable, fruitful, intimate, valuable, flexible, and relaxed. However, the bureaucrats had a more positive perception of the relationship than the managers. For example, whereas the bureaucrats rated the relationship as good, strong, and intimate, the managers rated it as slightly good, slightly strong, and slightly intimate (T-Test: good-bad,  $p = 0.000$ ; weak-strong,  $p = 0.009$ ; distant-intimate,  $p = 0.208$ ).

This positive perception of the business-government relationship is likely to be a reflection of many efforts currently being made by the government to cater for the needs of business and its rapid growth, such as the cut in bureaucratic red-tape and consultation with businesses on important economic issues (in fact, these are two of the government policies most favoured by the managers as will be discussed in Chapter 6).

**Figure 4-1: The Perception of Bureaucrats and Managers of Government and Business Relations<sup>a</sup>**



Scale	Mean		T-Test (DF=69) <sup>c</sup>	
	Managers (N=41)	Bureaucrats (N=30)	T	Prob. (2-tailed)
1)	5.59	6.03	-2.31	0.024
2)	4.88	4.73	0.62	0.535
3)	5.27	6.17	-4.67	0.000
4)	4.83	5.50	-2.67	0.009
5)	4.85	5.57	-2.56	0.013
6)	4.71	5.17	-1.86	0.067
7)	4.12	3.93	0.59	0.554
8)	5.17	4.53	2.51	0.015
9)	5.12	5.47	-1.27	0.208
10)	5.29	5.40	-0.47	0.638
11)	4.78	5.20	-1.76	0.083
12)	4.85	5.20	-1.39	0.168

Note: a The profiles are plotted by medians.  
 b The scale is read as follows. On the Bad-Good scale, for example, (1) means Very Bad, (2) Bad, (3) Slightly Bad, (4) Neither Good Nor Bad, (5) Slightly Good, (6) Good, and (7) Very Good.  
 c Pooled variance estimates.

One manager commented, "Prime Minister Chatchai (the present prime minister of Thailand) is a businessman turned politician. He has owned several businesses himself. He knows what businessmen want from the government. For instance, he knows that business cannot develop when its day-to day operation is obstructed by the red-tape, or a licence needs to pass tens of tables before being authorised. His policy of cutting down unnecessary procedures in dealing with some major government departments has helped business a lot." The same manager continued, "This is the first time in my business career that I have been asked for more work by government officials. In the past I had to beg and push them to process my work... This is a good example which shows that when the people at the top are serious about solving problems, the system (bureaucracy) can be improved." One manager of an animal-feed manufacturing company said, "The relationship between the government and business is very good at present. It is because the government has now realised that business can be an important partner in solving economic problems and policy formulation... The consultation between government and business or a joint public and private committee such as the Ko Ro Oo (the Joint Public and Private Consultative Committee) is an important step towards a creative relationship between government officials and businessmen."

This perception of the relationship stands in contrast with that of the past. In a 1978 survey, about 9% of 129 managers said the government was an ally of business between 1973 and 1976, 33% between 1976 and 1977, and 44% in 1978; whereas 25% said the government was an enemy of business between 1973 and 1976, 23% between 1976 and 1977, and 12 % in 1978.<sup>11</sup>

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<sup>11</sup>Sawang Sanguanrueng, "Karn Gumnod Roopbap Pua Num Pai Sue Kwam Sapan Nai Karn Sangsan Rawang Pak Rataban Lae Pak Ekachon" (Towards Creative Relations Between Government and Business), in Samakom Karn Jadkarn Turakij Hang Prathet Thai (Thai Management Association), *Ekasarn Tang Wichakarn Prakob Karn Prachum Karn Borihan Pak Rataban Lae Ekachon Nai Prathet Thai* (The Papers of the Conference on the Public Administration and Private Management in Thailand) (Bangkok: Amarin Press, 1978), p.76. His sample consisted of the managers who were members of the Thai Management Association.

### 4.2.2 The Government Relationship with Business

With the background knowledge that both the managers and bureaucrats had a similar positive perception of the business-government relationship, it is expected that they would also hold similar views on what the relationship should be.

**Table 4-1: Comparison of Views on the Government Relationship with Business**

Question:	Average Rank	
	Managers (N=41)	Bureaucrats (N=30)
<i>Please rank the following according to your preference for how the Thai government should relate to companies.</i>		
<i>a) As a facilitator</i>	1.45 (1)	1.93 (1)
<i>b) As a co-planner</i>	3.44 (3)	3.63 (3)
<i>c) As a regulator</i>	5.37 (6)	4.67 (5)
<i>d) As a protector</i>	3.83 (4)	3.63 (3)
<i>e) As a stimulator</i>	2.77 (2)	2.70 (2)
<i>f) As an initiator</i>	4.15 (5)	4.43 (4)
Kendall Coefficient of Concordance W	0.50	0.31
X <sup>2</sup> (DF=5)	102.50	45.96
Probability	0.000	0.000

Table 4-1 shows the comparative preferences of the managers and the bureaucrats of how the government should relate to companies. As expected, most of them made a ranking that the government should relate to business first as a facilitator, second as stimulator, third as a co-planner, fourth as a protector, fifth as an initiator, and finally sixth as a regulator. It is worth noting that the above ranking is consistent with the finding in the previous chapter that the managers as well as the bureaucrats agreed that the government should intervene least with the economy since it can be seen in a different way as the ranking of the least to the most interventionist

role of the government.

Moreover, the Table 4-1 also suggests that there was a rather high consensus among both the managers (Kendall coefficient of concordance  $W = 0.50$ ,  $p = 0.000$ ) and the bureaucrats ( $W = 0.31$ ,  $p = 0.000$ ) concerning the government relationship with business. Nevertheless, the consensus was higher among the managers than among the bureaucrats. For example, the co-planner role and the protector role were closely ranked by the bureaucrats.

It is interesting to discuss how these roles of the government were interpreted by the managers and the bureaucrats. A couple of managers interpreted the facilitator as a role in which the government could create an economic environment suitable and conducive for business operation. One of them said, "The best the government can do (for business) is to facilitate business operation, for example by cutting down unnecessary regulations and bureaucracy, providing business information, or acting as an overseas trade representative." One manager and one bureaucrat saw the role of stimulator as encouraging more business investment. The manager said, "By acting as a stimulator, the government can induce more investment. For example, the government can encourage firms to invest by giving them investment incentives such as tax breaks." The co-planner role was understood by a few managers and bureaucrats as government consultation with the private sector. One senior bureaucrat said, "Businessmen and government officials should meet and talk in order to avoid misunderstanding... For example, last week a businessman came to see me and asked for permission to expand his factory. We met, and I asked him to change the original design slightly. Finally, he agreed with my suggestion. So, the matter was easily solved." The protector role was interpreted by several of the managers and the bureaucrats as government protection of local industry. One manager said, "Besides promoting business, the government should also protect them from fierce sometimes unfair competition from foreign companies abroad." By the initiator role, the same manager said the government taking the leading role in the economy. He argued, "It

is impossible for the government to lead business. The government cannot be an initiator." Finally, the regulator role was clearly understood and rejected by many of the managers and bureaucrats. One bureaucrat said, "The era when the government controlled and directed business practices has long gone."

#### 4.2.3 The Business Relationship with the Government

The reverse of the relationship previously studied will next be examined. The finding here further confirms that the belief prevailing among the managers and the bureaucrats was that business should play a leading role in relation to the government.

**Table 4-2: Comparison of Views on the Business Relationship with the Government**

Question:	Average Rank	
	Managers (N=41)	Bureaucrats (N=30)
<i>Please rank the following according to your preference for how companies should relate to the Thai government.</i>		
<i>a) As followers</i>		
<i>b) As co-planners</i>		
<i>c) As initiators</i>		
Followers	2.93 (3)	2.90 (3)
Co-Planners	1.76 (2)	1.83 (2)
Initiators	1.32 (1)	1.27 (1)
Kendall Coefficient of Concordance W	0.69	0.69
X <sup>2</sup> (DF=2)	56.78	41.27
Probability	0.000	0.000

According to the ranking shown in Table 4-2, both the managers and the bureaucrats agreed that companies should relate to the government first as initiators, second as co-planners, and third as followers. The ranking can also be seen as the

ranking of the most to the least leading role of business, which is consistent with the previous ranking of the least to the most interventionist role of the government.

Moreover, there was a high consensus among both the managers (Kendall coefficient of concordance  $W = 0.69$ ,  $p = 0.000$ ) and the bureaucrats ( $W = 0.69$ ,  $p = 0.000$ ) that business should assume a leading relationship with the government.

Even though the finding that the managers believed that business should relate to the government as an initiator came out as expected, the sharing in that belief by the bureaucrats represents, again, a change from the former attitude in which business had been seen generally as lacking social responsibility and, as a result, needing to be controlled. In 1978, a survey found that 95% of 88 middle level bureaucrats agreed with the statement that "the private sector should bear more social responsibility than at present."<sup>12</sup>

One bureaucrat said, "Businessmen should initiate and do things. If they are good and beneficial to the public, we (the government) will support them." Another said, "Businesses cannot follow the government. The government does not know what to do (about business)."

The finding that the appropriate role of the government was seen mainly by both the managers and the bureaucrats as that of facilitator and of companies as that of initiator means, to a certain extent, that they assumed that the fundamental function of the government, regarding the economy, was to create a framework within which firms could compete fairly. Do managers and bureaucrats believe that the government can perform this function?

#### 4.2.4 Government Capability as an Arbiter

According to Table 4-3, the managers and the bureaucrats held moderately different

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<sup>12</sup>Sujit Boonbongkarn, "Tasana Tua Pai Kong Karn Borihan Pak Rataban Lae Pak Ekachon" (General Attitudes towards the Public Administration and Private Management) in Samakom Karn Jakkarn Turakij Hang Prathet Thai (Thai Management Association), op.cit., pp.39-40.

views on the capability of the government as an arbiter or "business umpire" (Cramer's  $V = 0.31$ ). That is, while the majority of the managers agreed with the statement that *it is rather difficult for the government to oversee and ensure fair business competition without bias*, the bureaucrats were generally undecided (Mann-Whitney U Test,  $p = 0.02$ ).

**Table 4-3: Comparison of Views on Government Capability as an Arbiter**

<b>Statement:</b> <i>It is rather difficult for the government to oversee and ensure fair business competition without bias.</i>				
	Rating Value	Managers (N=41)		Bureaucrats (N=30)
Strongly Disagree	1	0 %		0 %
Disagree	2	15		27
Neither	3	12		27
Agree	4	56		43
Strongly Agree	5	17		3
Median		4		3
Cramer's V				0.31
Mann-Whitney U Test		Z (corrected for ties)		-2.43
		p (two-tailed)		0.015
		N		Median
		Mgrs <sup>a</sup>	Bcrts <sup>b</sup>	Mgrs
				Bcrts
<i>Control for...</i>				
- Age				
	a) 50 or below	34	13	4
	b) 51 or above	7	17	4
- Training Abroad				
	a) No	34	14	4
	b) Yes	7	15	4
- Professional Subject				
	a) Sciences	10	8	4
	b) Social Sciences	31	21	4
Note: a Managers				
b Bureaucrats				

Whereas around 73% of the managers agreed, only 47% of the bureaucrats agreed and the rest were divided between being undecided and disagreeing.



However, according to Table 4-3, the bureaucrats with no training or study abroad or with a professional background in sciences tended to agree with the statement.

One manager of a sanitary fittings manufacturing company, who agreed with the statement, said, "It is not something difficult or easy. It is a question of wanting or not wanting to do it. If the government want to make competition fair, they can easily do so. They just do not want to do that, for some reasons that inside people know well. You can look at the construction industry as an example. One or two big companies always get the government contracts. Before the bidding takes place, it can be guessed who is going to get the job. Those companies which have good connections (with the government) will normally get contracts." While such an attitude questions the willingness and intention of government officials to create fair business competition, another opinion from one manageress of a canned seafood manufacturing company emphasised that in practice it was hardly possible for the government to maintain a neutral status as far as business competition was concerned. She said, "There is nothing like fair business competition in reality. A company is either at an advantage or a disadvantage in relation to others. If the government try to narrow this advantage or disadvantage to create fair competition, they are already biased in the first place." At the same time, another manager said more sympathetically, "We must understand that in certain circumstances government officials might not have the information or expertise necessary for making a proper judgement. So they have to listen to other people. By listening to other people's opinion, they can, of course, possibly be misled by other people."

In contrast, some of the bureaucrats who agreed with the statement saw the bureaucracy within the government as an obstacle to the task of ensuring fair business competition. One of them said, "I think it is difficult for the government to keep pace with fast and changing business competition. The government is a big organisation. Its work normally involves several people in order to make sure that it is done properly. As a result, it is slow. In comparison, a company is more flexible and

faster. Sometimes, the government cannot follow them." However, a few bureaucrats who disagreed with the statement believed that the task of ensuring fair business competition could be easily done by the government. One bureaucrat said, "I could not see any difficulty in that."

### **4.3 THE POLITICAL ROLE OF BUSINESS**

Just as the government is not limited to government, neither are businesses to business. While the government sometimes interferes with the economy, business more than often gets involved in politics. Earlier this research has found that contemporary business managers and senior bureaucrats believe that less government economic intervention is good; in this section it will examine how they think about business involvement in politics.

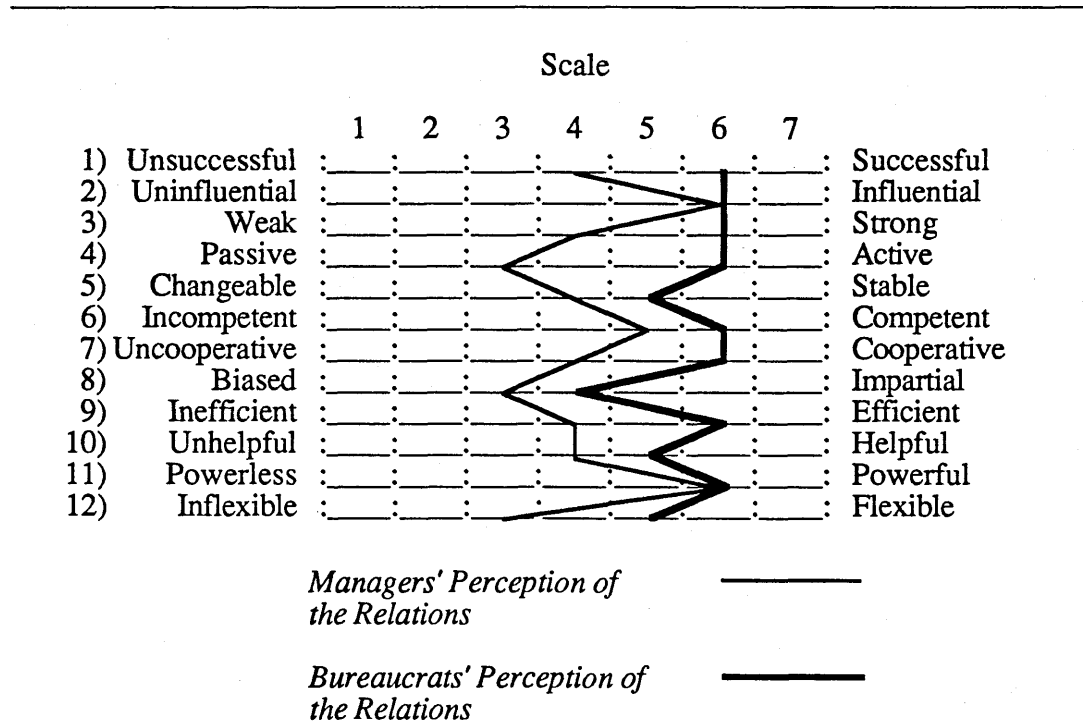
#### **4.3.1 Attitudes of Bureaucrats and Managers towards Each Other**

Before entering into the discussion of the opinion of business political involvement, this section will look at what Thai managers and bureaucrats think of each other. Figure 4-2 shows the comparative profiles of the bureaucrats' and managers' perception of each other, rated on the 7-point semantic differential scales. The two profiles indicate considerable discrepancy between their perception of one another: whereas the bureaucrats had a positive perception of the managers, the managers had a negative perception of the bureaucrats.

In particular, the managers were seen by the senior bureaucrats as being successful, influential, strong, active, slightly stable, competent, cooperative, neither biased nor impartial, efficient, slightly helpful, powerful, and slightly flexible. In contrast, the bureaucrats were seen by the managers as being neither successful nor unsuccessful, influential, neither weak nor strong, passive, neither changeable nor stable, slightly competent, neither cooperative nor uncooperative, slightly biased,

neither efficient nor inefficient, neither helpful nor unhelpful, powerful, and inflexible.

**Figure 4-2: Attitudes of Bureaucrats and Managers towards Each Other<sup>a</sup>**



Scale	Mean		T-Test (DF=69) <sup>b</sup>	
	Managers (N=41)	Bureaucrats (N=30)	T	Prob. (2-tailed)
1)	3.66	6.17	-9.73	0.000
2)	5.88	5.93	-0.22	0.827
3)	3.90	5.57	-5.37	0.000
4)	2.93	6.00	-11.54	0.000
5)	3.95	4.97	-3.68	0.000
6)	4.61	5.97	-4.93	0.000
7)	3.83	5.60	-5.92	0.000
8)	3.02	3.80	-2.83	0.006
9)	3.61	5.83	-7.69	0.000
10)	3.71	5.57	-6.57	0.000
11)	5.76	5.60	0.67	0.505
12)	3.27	5.33	-6.72	0.000

Note: <sup>a</sup> The profiles are plotted by medians.  
<sup>b</sup> Pooled variance estimates.

Moreover, the discrepancies in their perception are rather significant, except that of both of them think of each other as being influential (T-Test,  $p = 0.827$ ) and powerful ( $p = 0.505$ ).

With regard to the issue of efficiency, Thai bureaucrats have long accepted that private management is more efficient than public administration. In the 1978 survey, it was found that 69% of 88 middle-level bureaucrats agreed with the statement that "in general, the private sector is more efficient in management than the public sector."<sup>13</sup>

In fact, such a positive view of the managers held by the bureaucrats forms, to a certain extent, the basis for their agreement with business involvement in politics, which will be discussed next.

#### 4.3.2 Business Involvement in Politics

According to Table 4-4, the managers and the bureaucrats had different views on business involvement in politics (Cramer's  $V = 0.41$ ). Rather surprisingly, whereas the managers were generally divided between agreement and disagreement, many of the bureaucrats agreed with the statement that *the present high level of involvement in politics by businessmen will do more good than harm to the economy of Thailand* (Mann-Whitney U Test,  $p = 0.918$ ). While around 57% of the bureaucrat agreed with the statement; only 36% of the managers agreed, leaving the rest 29% and 24 % being in disagreement and undecided respectively.

However, the managers who had some training or study abroad tended to agree, whereas the bureaucrats who were aged above 51, or did not have any training or study abroad agreed. But the bureaucrats who had a professional background in sciences were likely to disagree.

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<sup>13</sup>Boonbongkam, loc.cit.

**Table 4-4: Comparison of Views on Business Involvement in Politics**

<b>Statement:</b> <i>The present high level of involvement in politics by businessmen will do more good than harm to the economy of Thailand.</i>		Rating Value	Managers (N=41)	Bureaucrats (N=30)
Strongly Disagree	1	0 %	0 %	
Disagree	2	29	20	
Neither	3	24	23	
Agree	4	20	53	
Strongly Agree	5	27	3	
Median		3	4	
Cramer's V			0.41	
Mann-Whitney U Test	Z (corrected for ties)		-0.10	
	p (two-tailed)		0.918	
		N		
		Median		
		Mgrs	Bcrts	
<i>Control for...</i>				
- Age				
a) 50 or below		34	13	
b) 51 or above		7	17	
- Training Abroad				
a) No		34	14	
b) Yes		7	15	
- Professional Subject				
a) Sciences		10	8	
b) Social Sciences		31	21	

Even though it can hardly be denied that there is interaction between politics and economy, their exact relationship is less than obvious. Nevertheless, a few bureaucrats apparently believed that the participation of business in politics was good for the Thai economy. One bureaucrat said, "The present good performance of the economy must be largely credited to those businessmen turned politicians... They are progressive-minded. They come at a time when the world economy is booming. They have grasped this opportunity and launched Thailand into a new stage of industrial development and into the international markets." Another bureaucrat who agreed with the statement added, "The most important foundation of a country is its economy. If

the economy is good, every thing else is good... If a person does not feel hungry and has money to spend, he does not bother to go out and do those sort of things like demonstrations. The country will be peaceful... The people in the government should be those who can use their authority to create economic prosperity." Similarly, despite having rather a pessimistic view of politicians, one bureaucrat also agreed with the statement. "One of the bad things about businessmen turned politicians is that they have too many interests... But, to be fair, politicians with other professional backgrounds also have their own personal interests... Anyway, I still prefer the business community to get involved in politics because their interests coincide with those of the country."

One manager who agreed with the statement said, "The business involvement in politics is a creative relationship between government and business. By participating in electoral campaigns, businessmen can make their views known to the government, which is important to the country's development."

However, while the pursuit of self-interest was taken as fact by a few of those who agreed with the statement, it became a major reason for one bureaucrat's disagreement. He said, "Few businessmen have a sense of social responsibility. They get involved in politics mainly to protect their business interests. Getting involved in politics is costly and expensive. They do not do it for nothing." Such a view obviously reflects the remnants of the old attitude of bureaucrats towards businessmen. In 1978, it was found in a survey that 71% of the 88 middle level bureaucrats asked, agreed that "private businesses usually pursue every method, whether right or wrong, to achieve their own objectives."<sup>14</sup>

However, a manager of a company in the steel industry, an executive of which had just been appointed as a senator on the day he was interviewed, frankly said, "We do not get involved in politics because we want to but because we have to. Our businesses represent an asset of up to thousands of million baht; we need to have somebody there (in the parliament) to protect our interests."

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<sup>14</sup>Boonbongkam, loc.cit.

Finally, there were those who neither agreed nor disagreed with the statement. One of them said, "Businessmen are Thai citizens. So they can campaign to be an MP or whatever they want, within the framework of democracy. But it is difficult to discern the good and bad things following their involvement in politics and figure out which one is more than another."

#### **4.4 BUSINESS PARTICIPATION IN GOVERNMENT POLICY MAKING**

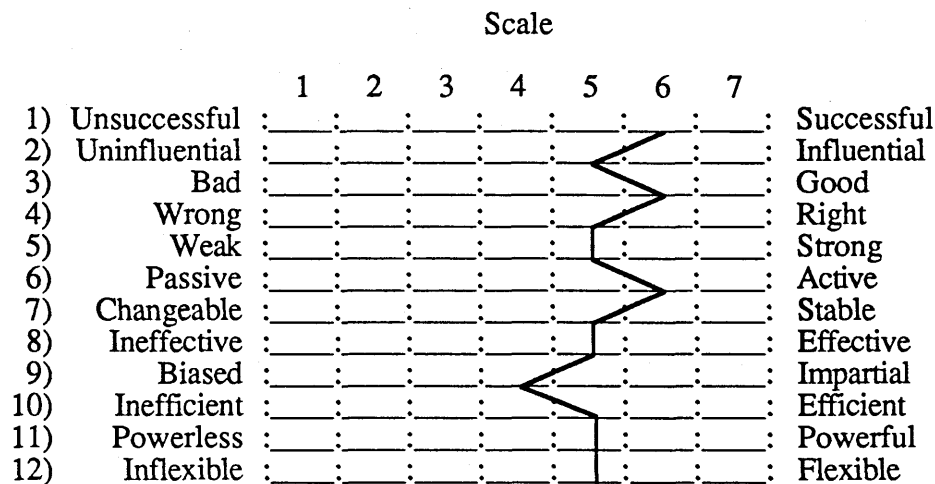
It is possible to say that one of the principle motivations of firms to enter into politics is to influence public policy. Following the suggestion by the analysis in the previous section that business participation in politics is more or less welcomed by the Thai elite, this section will examine their views on business participation in the government's economic policy making. In addition, as pointed out in the Chapter 1 and at the beginning of this chapter that business has several modes of influencing public policy, it will also examine their preference of the method of business participation in the government's economic policy making -in particular, the direct participation, lobbying, and the use of business associations.

##### **4.4.1 The Perception of Managers of Government Economic Policy**

This sub-section will first look at how the recent government economic policy is perceived by Thai managers. When asked to rate government economic policy during the past 12 months on the 7-point semantic differential scales, the majority of managers said that the policy was successful, slightly influential, good, slightly right, slightly strong, active, slightly stable, slightly effective, neither impartial nor biased, slightly efficient, slightly powerful, and slightly flexible (see Figure 4-3). In short, the managers were generally satisfied with the government economic policy at the

present.

**Figure 4-3: The Perception of Managers of Government Economic Policy<sup>a</sup>**



Note: <sup>a</sup> The profile is plotted by medians.

Against this background of the positive perception of government economic policy, the study will next examine how Thai elite think of the business involvement in the economic policy making.

#### 4.4.2 Business Involvement in Government Policy Making

Table 4-5 suggests that both the managers and the bureaucrats held a similar opinion about business involvement in the government's economic policy making (Cramer's  $V = 0.39$ ). That is, neither agreed with the statement that *economic policy making should be done by the government only; businessmen should not get involved* (Mann-Whitney U Test,  $p = 0.003$ ). However, the managers were in stronger disagreement with the statement than the bureaucrats. All the business respondents either disagreed or strongly disagreed, whereas about 83% of the bureaucrats



disagreed.

**Table 4-5: Comparison of Views on Business Involvement in the Economic Policy Making of the Government**

<b>Statement:</b> <i>Economic policy making should be done by the government only; businessmen should not get involved.</i>			
	Rating Value	Managers (N=41)	Bureaucrats (N=30)
Strongly Disagree	1	32 %	10 %
Disagree	2	68	73
Neither	3	0	10
Agree	4	0	7
Strongly Agree	5	0	0
Median		2	2
Cramer's V			0.39
Mann-Whitney U Test	Z (corrected for ties)		-2.96
	p (two-tailed)		0.003
		N	
		Mgrs	Bcrts
		Median	
		Mgrs	Bcrts
<i>Control for...</i>			
- Age			
a) 50 or below		34	13
b) 51 or above		7	17
- Training Abroad			
a) No		34	14
b) Yes		7	15
- Professional Subject			
a) Sciences		10	8
b) Social Sciences		31	21

The major argument generally common to both the managers' and the bureaucrats' reasons for agreeing with the statement was that because businessmen had a direct interest and experience in business, which is the major component of the economy, they should have a role in economic policy making. For example, a manager said, "It is important that businessmen should be consulted before the government put out any major economic policy because they are the people directly involved and affected by it... The voice of business will keep government (economic) policy in the right direction." Similarly, one bureaucrat explained, "Businessmen's

opinion plays an essential role in government economic policy. The government needs to listen to their concerns because they are directly involved in the economy." Another bureaucrat gave an interesting analogy. He said, "The government is like theory and business is like practice. While the government have ideas, the businessmen have experience. The combination of theory and practice or ideas and experience will produce an effective and efficient policy, which is also mutually accepted to both the government and the business community."

If business involvement in the government's economic policy making is not rejected by the Thai elite, it is interesting to investigate further how they think about the effects of the involvement.

#### **4.4.3 Consequences of Business Participation in Economic Policy Making**

Table 4-6 indicates that most of the managers and the bureaucrats agreed with the statement that *the participation of business in economic policy formulation will make policy implementation easier* (Cramer's  $V = 0.35$ ; Mann-Whitney U Test,  $p = 0.033$ ). For example, 78% of the managers and 70% of the the bureaucrats either agreed or strongly agreed with the statement.

Moreover, the managers who had some training or study abroad tended to be more strongly in agreement than those who did not. But the senior bureaucrats with a professional background in sciences were undecided.

Also according to Table 4-6, many of the managers also agreed with the statement that *the participation of business in economic policy formulation will make the policy outcome benefit only a few groups of people*, while the bureaucrats were divided in opinion about it (Cramer's  $V = 0.19$ ; Mann-Whitney U Test,  $p = 0.14$ ). Whereas about 51% of the business managers agreed with the statement, 33% of the bureaucrats were undecided and the rest of them were approximately divided between

agreement and disagreement. However, the managers who were aged 50 or below, had some training or study abroad, or had a professional background in social sciences tended to be undecided about the statement.

**Table 4-6: Comparison of Views on Consequences of Business Participation in Economic Policy Making**

		Easier Policy Implementation		Policy Benefitting Only a Few People	
		Managers (N=41)	Bureaucrats (N=30)	Managers (N=41)	Bureaucrats (N=30)
<b>Statement:</b>		<i>The participation of business in economic policy formulation will make</i>			
		<i>a) policy implementation easier.</i>			
		<i>b) the policy outcome benefit only a few groups of people.</i>			
Strongly Disagree	(1)	0 %	0 %	0 %	0 %
Disagree	(2)	10	23	17	30
Neither	(3)	12	7	32	33
Agree	(4)	46	63	49	37
Strongly Agree	(5)	32	7	2	0
Median		4	4	4	3
Cramer's V			0.35		0.19
Mann-Whitney U Test					
Z (corrected for ties)			-2.14		-1.48
p (two-tailed)			0.033		0.140
		Easier Policy Implementation		Policy Benefitting Only a Few People	
		Median		Median	
		Mgrs	Bcrts	Mgrs	Bcrts
<i>Control for...</i>					
- Age					
a) 50 or below	34	13	4	4	3
b) 51 or above	7	17	4	4	3
- Training Abroad					
a) No	34	14	4	4	3
b) Yes	7	15	5	4	3
- Professional Subject					
a) Sciences	10	8	4	3	3
b) Soc. Sciences	31	21	4	4	3

A couple of managers and senior bureaucrats were in favour of the consensus

form of government economic policy. For example, one manager said, "This is true because if the policies are agreed upon by both businessmen and the government, the implementation is much easier." Another bureaucrat said, "It is not exactly a question of easy or difficult implementation but more of relationship. If we announce a regulation, they (the businessmen) have to comply with it anyway because that is a law. But we try to avoid forcing businessmen to do something. We usually look for alternatives or a compromise because a good working relationship is important. We do not work with businessmen for today or tomorrow but for many years to come."

In contrast, one bureaucrat stressed the specialisation and technicality of economic problems as the factors making the participation of business in economic policy making necessary. He said, "There are too many problems which are often different and complicated. We need a variety of information from businessmen to make a policy which is suitable for a particular problem."

Arguing against the likelihood that the policy outcome would be biased if businessmen were allowed to participate in economic policy making, one senior bureaucrat explained, "In fact, this is what I usually do. For example, a vegetable-oil-distillery company was seeking permission from the government to import soya bean oil from abroad. They gave the reason that the local producers could not adequately meet the demands of their factories. What I did was to send letters to all those companies who used the oil, inviting them to a meeting. In the meeting we discussed the issue together. In the end, the shortage was found to be justifiable, so the import quotas were equally divided among them. Such a practice is not only fair to every party concerned but also creates a good understanding between government officials and businessmen. Moreover, nobody can lie in the meeting since their competitors are also present. If someone tries to make up figures, even though I do not know, their competitors will know... If there is trust and good understanding between the government and business, it is much easier to work together. Nowadays, when I go out to inspect the agricultural produce stocks in other provinces, I often ask the

businessmen if they want to come with me. They normally come."

However, there were some bureaucrats who believed that to a certain extent a biased policy outcome would result if business participated in economic policy formulation. For example, one bureaucrat said, "It must be accepted that big companies are better than small companies at influencing government (economic) policy."

Finally, neither agreeing nor disagreeing that the policy would benefit only a few groups of people, one bureaucrat said, "It depends on how the businessmen participate in the government's economic policy making." His comment is, in fact, what will be discussed next.

#### 4.4.4 Methods of Influencing Government Economic Policy

Table 4-7 suggests that both the managers and the bureaucrats shared a similar opinion about how business should influence the economic policy making of the government. That is, most of them preferred representation through business associations to direct participation and lobbying respectively. In addition, there is also a significant consensus in the above preference among both the managers (Kendall coefficient of concordance  $W = 0.25$ ,  $p = 0.000$ ) and the bureaucrats ( $W = 0.67$ ,  $p = 0.000$ ).

The bureaucrats' preference for representation through business associations such as trade associations or chambers of commerce came out as expected. Wilson argued that government authorities would try to encourage sectors such as farming, business, and unions to designate a single group as spokesman since such aggregation saved them the awkward task of aggregating interests within as well as between sectors.<sup>15</sup>

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<sup>15</sup>Gramham K. Wilson, *Business and Politics: A Comparative Introduction* (London: MacMillan, 1985), p.10.

**Table 4-7: Comparison of Views on Methods of Influencing Government Economic Policy**

Method	Average Rank	
	Managers (N=41)	Bureaucrats (N=30)
Direct Participation	2.10 (2)	2.10 (2)
Lobbying	2.44 (3)	2.77 (3)
Business Association	1.46 (1)	1.13 (1)
Kendall Coefficient of Concordance W	0.25	0.67
X <sup>2</sup> (DF=2)	20.10	40.47
Probability	0.000	0.000

As one senior bureaucrat interviewed said, "When a company or a group of companies came to see us and complained about something, they were sometimes told to go back and do it through their (business) association, because if the complaint was accepted, there would be many more to come. These complaints would be endless and I could also be accused of treating one company better than another... They are often told to reach an agreement among themselves before coming to see us." This bureaucrat was speaking with the assumption that companies were equally influential within a business association and its resolution was a compromise of all interests concerned. But, this is not always the case. As one manager put it, "I do not trust my (trade) association. They do not represent me. They represent those big companies... I joined the association because I wanted to get my share of the export quotas and use some of the services." This is, in fact, a good example of the reason

why some companies tend to go directly to government agencies by themselves to voice their concerns. It also supports Olsen's argument that in order to organise successfully, economic interest groups (in this case, business associations) have to provide selective incentives to induce their potential members to join. This could take the form of coercion, but more usually it would be some form of positive inducement such as a service (quotas in this case) provided by the interest groups solely to its members.<sup>16</sup>

Nevertheless, a few managers preferred representation through business associations because they thought it was legitimate and accessible to most companies. A manager said, "The practices of lobbying or becoming a politician are limited to those big businesses, which can afford it. But trade associations or chambers of commerce are open to everybody."

It is interesting to note that the method of lobbying policy-makers was ranked after the practice of direct participation. Such a preference seems to vary from one country to another. For instance, in some countries, such as those in the West like Britain or the United States, meetings between the officials of interest groups and government officials are regarded as part of everyday life; in other countries such gatherings are regarded as potential conspiracies, so that a public record of such meetings and their purpose is required.<sup>17</sup> Thailand seems to fall into the latter group of countries where the practice of lobbying policy-makers is considered as dubious. As one manager said, "I would prefer businessmen becoming politicians to lobbying because in the former things are done in the open and can be easily checked whereas in the latter we do not know what is going on."

The above finding stands in contrast to Vogel's suggestion mentioned in Chapter 1 that British business involves in government policy-making from within, whereas American business involves in government policy-making from without.

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<sup>16</sup>M. Olsen, *The Logic of Collective Action*, (2nd Edition; Cambridge: Harvard University Press, 1971),

p.132.

<sup>17</sup>Wilson, loc.cit.

When put into a comparative context in this sense, the preference of Thai elite for the style of business participation in public policy making lies closer the practice in Britain than the one in the United States.

Having found that both the managers and the bureaucrats preferred representation through business associations as a way of influencing the government economic policy, the study will ask further: "Do they think that it should be the only channel of business influence?"

**Table 4-8: Comparison of Views on Influencing Government Economic Policy through Business Associations**

<b>Statement:</b> <i>Business should influence the economic policy making of the government through trade associations or chambers of commerce only.</i>					
	Rating Value	Managers (N=41)		Bureaucrats (N=30)	
Strongly Disagree	1	10 %		0 %	
Disagree	2	61		77	
Neither	3	10		13	
Agree	4	20		10	
Strongly Agree	5	0		0	
Median		2		2	
Cramer's V				0.26	
Mann-Whitney U Test		Z (corrected for ties)		-0.01	
		p (two-tailed)		0.99	
		N		Median	
		Mgrs	Bcrts	Mgrs	Bcrts
<i>Control for...</i>					
- Age					
a) 50 or below		34	13	2	2
b) 51 or above		7	17	2	2
- Training Abroad					
a) No		34	14	2	2
b) Yes		7	15	2	2
- Professional Subject					
a) Sciences		10	8	2	2
b) Social Sciences		31	21	2	2



#### 4.4.5 Influencing Government Policy through Business Associations

According to Table 4-8, the managers and the bureaucrats held similar views on influencing government economic policy through business associations (Cramer's  $V = 0.26$ ). That is, the majority of them disagreed that *business should influence the economic policy making of the government through trade associations or chambers of commerce only* (Mann-Whitney U Test,  $p = 0.99$ ). For example, around 71% of the managers and 77% of the bureaucrats disagreed with the statement.

Thus, even though both the managers and the bureaucrats believed that the business should influence the government economic policy through business associations, they did not think that the method of influencing the policy should be limited to it.

One bureaucrat believed that there should be other options. He said, "There should not be the word 'only.' It is good to have other alternatives." A manager further supported the point of having several channels for influencing government economic policy. He said, "In some industries trade associations may not be strong or well-organised enough to represent their members, or do not exist at all... There may be some issues on which the trade association cannot represent their members because of their failure to reach a consensus. There are also issues in which trade associations do not want to get involved, for example, those about which the general public have bad feelings." Finally, another manager claimed that the freedom to choose which channel to influence government policy is another aspect of the "free enterprise" economy. He explained, "Businessmen should have freedom to choose. If they want to go to lobby the policy-makers by themselves instead of asking the trade associations to do the job for them, they should not hesitate to do so. This is another good aspect of what we call a free enterprise system."

#### 4.5 CONSISTENCY OF THE BELIEFS

This section will examine the consistency between the managers' and the bureaucrats' views on the political role of business and their views on business participation in the government's economic policy making. If there exists a consistency, some correlation between the two views should be expected.

According to Table 4-9, there was a rather high consistency between the two views for each of the managers and the bureaucrats. However, individual bureaucrats' views were more consistent than those of individual managers.

According to the Table, the more a manager agreed with business involvement in politics, the more likely he was to believe that the participation of business in economic policy formulation would make policy implementation easier (Kendall correlation coefficient  $T = 0.66$ ,  $p = 0.000$ ) and the more unlikely he was to believe that a policy outcome would benefit only a few groups of people ( $T = -0.41$ ,  $p = 0.003$ ). But the Table indicates little association between his belief that business involvement will do more good than harm to the Thai economy and his belief that business should not get involved with the economic policy making of the government ( $T = 0.16$ ,  $p = 0.271$ ).

In contrast, the beliefs of each of the bureaucrats were more consistent. That is, the more a bureaucrat agreed with business involvement in politics, the more he agreed with business participation in economic policy formulation (Kendall correlation coefficient  $T = -0.53$ ,  $p = 0.002$ ), the more likely he was to believe that the participation would make policy implementation easier ( $T = 0.69$ ,  $p = 0.000$ ), and the less likely he was to believe that a policy outcome would benefit only a few groups of people ( $T = -0.36$ ,  $p = 0.028$ ).

**Table 4-9: Consistency of the Beliefs -the Political Role of Business versus Business Participation in the Economic Policy Making of the Government**

Business Participation in Economic Policy Making <sup>b</sup>	High Business Involvement in Politics <sup>a</sup>			
	Managers (N=41)		Bureaucrats (N=30)	
	Kendall Corr. Coeff. T	Sig. (two-tailed)	Kendall Corr. Coeff. T	Sig. (two-tailed)
Non-Involvement in Economic Policy Making	0.16	0.271	-0.53	0.002
Easier Policy Implementation	0.66	0.000	0.69	0.000
Policy Benefiting Only a Few People	-0.41	0.003	-0.36	0.028

Note: a For full statements, see the previous Tables.

b For full statements, see the previous Tables.

In comparison, the consistency of the beliefs here was higher than that of the economic ideology found in the previous chapter. Should the consistency here lead to the conclusion that because the managers and the bureaucrats believed in business participation in economic policy formulation, they were likely to support business involvement in politics, or vice versa? The answer "yes" should be taken with reservations. While a number of the respondents who agreed with both business participation in the government's economic policy making and business involvement in politics, argued on the basis of the economic capability of business and its efficiency, and experience, a few also mentioned the democratic freedom of businessmen. Moreover, business participation in the government's economic policy making is, as a matter of fact, one of the main activities and objectives of business involvement in politics, or in other words, the two beliefs are closely related in practice.

#### 4.6 SUMMARY

In the light of the literature's suggestion that business political activities and influence have increased, this chapter studies and compares the beliefs of senior Thai bureaucrats and business managers about business roles in the government's economic policy making. The empirical data here suggest that compared to their former counterparts, who were rather hostile towards Chinese immigrants (the dominant population of the business community), the new generation of senior bureaucrats have a relatively high opinion of businessmen. The bureaucrats interviewed in this research generally wanted business to relate to the government as initiators. Many of them believed that the participation of business in politics was good for Thailand and even encouraged business participation in economic policy making. Moreover, several of the bureaucrats also believed that such participation would make policy implementation easier and dismissed the likelihood that it would

make a policy outcome biased towards certain interest groups. On the other hand, as expected, most of the managers were in favour of business taking an active role in politics, the economy, and economic policy making. They wanted the government to play the role of a facilitator, creating an environment which was conducive to efficient business operation. They also wanted to be consulted by the government on major economic issues. And, despite a lingering bad image of the bureaucracy, business managers' attitudes towards bureaucrats have become more positive.

## **Chapter 5**

### **Institutional Interaction between Government and Business**

- 5.1 Introduction**
- 5.2 The Government Counterparts of Business**
- 5.3 The Basis of Company Contact with Government Agencies**
- 5.4 Influence within Contact**
- 5.5 Personnel Links within Contact**
- 5.6 Patterns of Communication within Contact**
- 5.7 Satisfaction within Contact**
- 5.8 Summary**

**CHAPTER 5**  
**INSTITUTIONAL INTERACTION**  
**BETWEEN GOVERNMENT AND BUSINESS**

**5.1 INTRODUCTION**

While the previous two chapters discussed the ideological context of government and business relations in Thailand, the next two chapters will investigate the interaction within the relationship. In the light of the literature's neglect of the interactional approach as discussed in Chapter 1, this chapter will examine the institutional interaction between government and business. In particular, it will identify which government agencies are contacted by manufacturing companies in Thailand and for what reasons. How much influence do the companies have on the government agencies contacted by them and vice versa? It will also investigate the personnel links and the patterns of communication within the interaction and the companies' knowledge of the government agencies. Finally, the success of the interaction will be evaluated. How much difficulty do managers experience in dealing with the agencies and how satisfied are they with their relationship with the agencies? Does better knowledge of a government agency produce a better relationship? And do personnel links help improve the relationship? The analysis of the data will be based mainly on a comparison of compulsory and non-compulsory dealings between companies and government agencies. In addition, comparisons of government dealings made by companies of different sizes and origins and with different degrees of government control will also be made.

## 5.2 THE GOVERNMENT COUNTERPARTS OF BUSINESS

The extensive interpenetration of government and business makes it difficult to identify areas in which they do not interact. When a business is first established it has to register its nature, products to be manufactured and personnel with the government. When starting to operate, it is required to manufacture products up to the standard specified by the government without, at the same time, causing too much damage to the environment. The prices of some goods may be controlled by the government, and if there is any profit made it has to pay taxes. These are just a few examples. Such closely related government and business activities lead some to say that there are shadow government departments or government counterparts of the various functional divisions within a company.<sup>1</sup> This section will discuss the government counterparts of manufacturing companies in Thailand.

### 5.2.1 Major Government Agencies Contacted

Each of the managers in this research was first asked to give the names of the three most important government agencies contacted by his company during the past 12 months. Table 5-1 shows that the major government agencies named by the managers centred on a few government departments. Among the departments (or equivalents) most frequently contacted were the Office of the Board of Investment (20%), the Industrial Works Department (15%), the Customs Department (13%), the Internal Trade Department (9%), and the Foreign Trade Department (7%). Together, these six departments accounted for nearly 80% of all the government agencies named by the managers.

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<sup>1</sup>Murray L. Weidenbaum, *Business Government and the Public* (2nd edition; Eaglewood Cliffs: Prentice-Hall, 1981), p.375. He depicted the corresponding government departments of various business divisions of firms in the United States.





These rankings may be explained by the fact that in recent years the manufacturing sector has registered rapid growth and increased exports. Its contribution to the gross domestic product has increased annually at an average rate of 41% (calculated at current market price) between 1975 and 1988<sup>2</sup> and its share of the total exports at a rate of 11% between 1982 and 1988<sup>3</sup> (for more discussion of the growth of the manufacturing sector, see Appendix A). As a result, manufacturing companies frequently have to deal with the Office of the Board of Investment -the government agency which grants investment and export incentives to firms, the Industrial Works Department -the agency largely responsible for balancing and controlling industrial production capacity and giving factory operation licences or expansion permits, and the Customs Department -the agency which controls import and export of goods.

Table 5-1 also gives some idea of the degree of importance of the government agencies named by the managers, by showing that while most of the agencies were rated as being very important, those ranked first were frequently said to be extremely important.

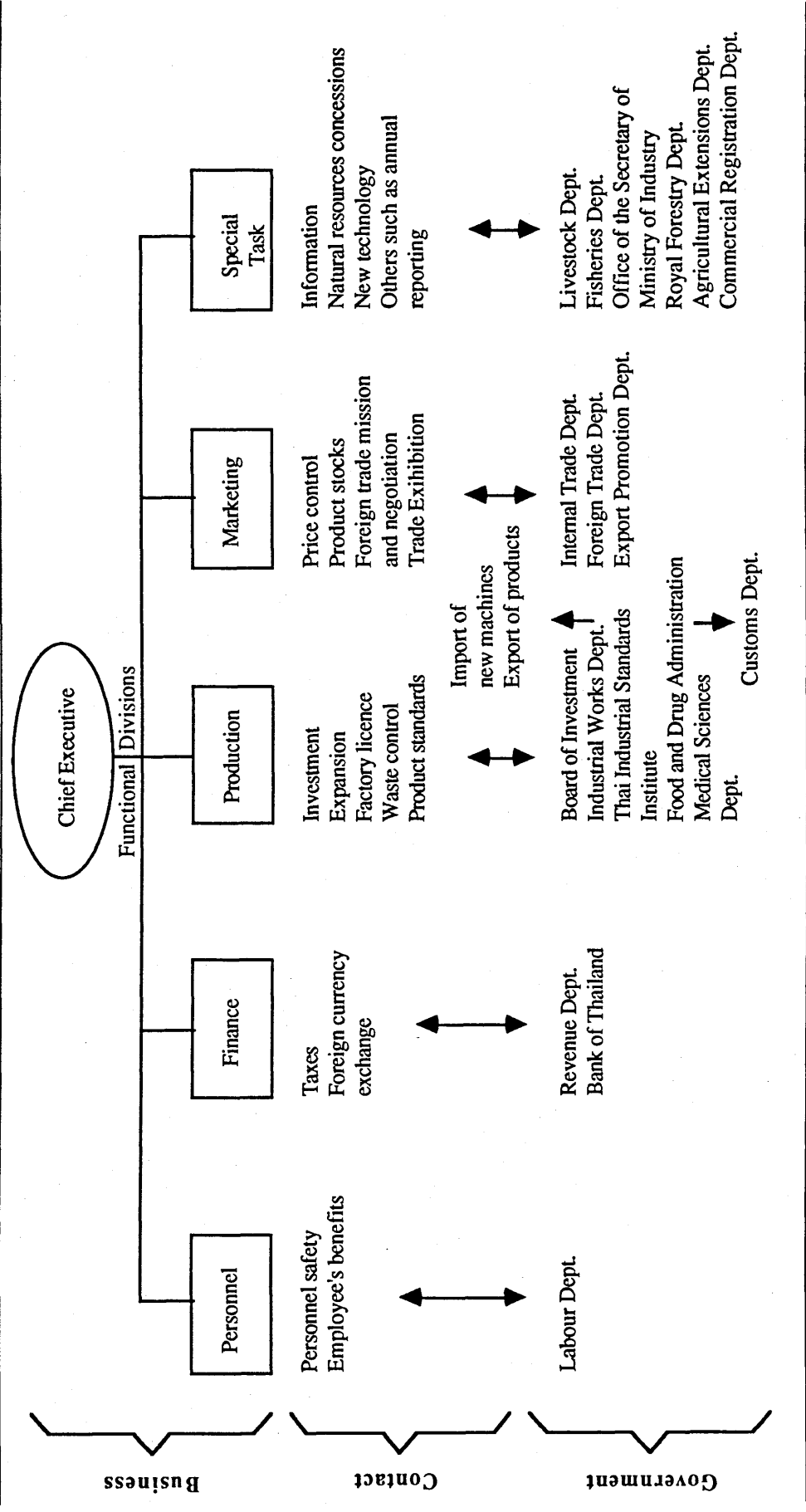
From the variety of government agencies mentioned by the managers, this research depicts the usual corresponding government departments of manufacturing companies in Thailand. Figure 5-1 shows the government counterparts of functional divisions within a company. Although the list of government agencies shown in the Figure is by no means exhaustive, it shows a simplified and typical form of institutional interaction between business and government.

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<sup>2</sup>Office of the National Economic and Social Development Board, as published in Thailand Development Research Institute Foundation, *Thailand Economic Information Kit* (May, 1989), Table 3.

<sup>3</sup>Bank of Thailand, *Monthly Bulletin*, as published in Thailand Development Research Institute Foundation, *op.cit.*, Table 5.

**Figure 5-1: The Government Counterparts of Functional Divisions within a Company**



In Figure 5-1, a company is seen as consisting of five major divisions: personnel, finance, production, marketing and special task. The personnel division deals mainly with the Labour Department on the issues of personnel safety and employees' benefits. According to several managers interviewed, the Labour Department normally requires a company to state its policy on employee's social security.

The finance division deals largely with the Revenue Department on such matters as taxes, either payment or rebate, and with the Bank of Thailand on foreign currency exchange.

The production division often deals with the Office of the Board of Investment on the issue of promotional privileges for new investments and expansion. It also contacts the Industrial Works Department concerning factory operation and waste control. With respect to product standards, if a company is in a non-food industry, it may have to send samples of its products to the Thai Industrial Standards Institute for testing. For companies in the food or pharmaceutical industries, samples are required to be sent to the Office of the Food and Drug Administration or the Medical Sciences Department.<sup>4</sup>

The marketing division frequently deals with the Internal Trade Department on the issues of price and product stocks. It also contacts the Foreign Trade Department and the Export Promotion Department on matters such as foreign trade missions and negotiations, and trade fairs and exhibitions abroad. The Customs Department is dealt with by both the production and marketing divisions when the company imports new machines or raw materials and exports its products.

Finally, there is the "special task" division. Unlike other divisions, it does not exist in practice. The tasks of this division are either ad hoc or cannot be primarily

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<sup>4</sup>One of the managers explained that there were two government agencies which deal with the standard of food because in the process of export, different countries may require different certificates issued by the two agencies. The Office of Food and Drug Administration and the Medical Sciences Department are mainly responsible for the standard of edible products such as processed foods and drugs. In fact, he added that there was another certificate issued by the Foreign Trade Department for the export of agricultural produce such as rice, tapioca, maize and sugar.

associated with other functional divisions. The special task division contacts several government agencies, for example, the Livestock Department and the Fisheries Department for information on the supply and demand of cattle and fish, or the Office of the Ministry of Industry for industrial production capacity figures. It may contact the Royal Forestry Department for natural resources concessions such as permission to cut down trees, or the Agricultural Extensions Department for new technology such as newly developed seed. It may also have to send an annual report to the Commercial Registration Department.

While the above description of government contact portrays an almost one-to-one relationship between a functional division within a company and a government agency, in practice the relationship is multiple and varied. The research found that one business division might deal with many government agencies at the same time or vice versa. The personnel division of a few sample companies was responsible for most contact with the government. As one personnel manager interviewed explained, "Other divisions are already very busy with work inside the company... Most government relations and contact are my responsibility because one of the main jobs of the personnel division is public relations." In addition, the precise nature of contact and interaction varied by industry, size of company, type of product and market served and management style. For instance, the same manager said, "Our company employs several thousands of workers, so we deal extensively with the government on labour issues such as personnel safety and employees' social welfare."

It should be borne in mind that the investigation here is based on interaction between a company and three government agencies; a company certainly contacts more than three government agencies in its entire business undertaking.<sup>5</sup> Nevertheless, in some interviews, when a manager did give up to five or seven names of government

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<sup>5</sup>The readers may then ask, "Why does this research not ask for all the government agencies that a company has contacted?" This is because the questions that follow on each of the three government agencies mentioned normally altogether take a respondent about 2 hours to complete.

agencies contacted by the company, the dealings with the agencies of the fifth or sixth importance to the company were often trivial. For instance, one company had to check with the Office of Atomic Energy for Peace that the radiation of the lighting within its factory was within the safety limit, and another company sought permission from the Police Department to dismantle a structure on its premises.

### 5.2.2 Types of Contact

For each of the three government agencies mentioned by a manager, the research asked whether the contact made was required by law or not. Table 5-2 shows that most dealings with government agencies were compulsory (81%). The finding leads one to ask why the percentage of voluntary contact made with those government agencies perceived by the companies as the three most important was rather low. Is it because companies do not bother to deal with the government if not required by law to do so, or because contact made with the three most important government agencies is preoccupied with regulations and legal requirements because there are so many of them? It is likely that both of the above two explanations contribute to the situation.

With respect to the latter explanation, Figure 5-1 shows that dealings concerning such matters as employment policy, product standards and prices, waste control, and export documentation, were the result of government regulations. Regarding the former explanation, some managers interviewed did suggest that they contacted the government only when necessary. One manager said, "In normal circumstances we contact government agencies when the laws require us to do so. Such dealings as tax payment or export-import licences form the basis of our day-to-day dealings with the government. Only when there is something unusual like an industrial dispute or shortages of raw materials will we be involved with the government in a different manner." The latter part of what he said is an example of legally non-compulsory or voluntary contact.

**Table 5-2: Type of Contact between Companies and Government Agencies**

**Question:** *Most of the time, was it legally compulsory for your company to contact or deal with this government agency during the past 12 months?*  
 1 = Yes      2 = No

	Agency Rank			All Agencies (N=123)			
	First (N=41)	Second (N=41)	Third (N=41)				
Yes (Compulsory)	73 %	90 %	81 %	81 %			
No (Non-Compulsory)	27	10	19	19			
Government Departments							
Type of Contact	Board of Investment (N=24)	Industrial Works (N=18)	Customs (N=17)	Revenue (N=16)	Internal Trade (N=11)	Foreign Trade (N=8)	Others (N=29)
Compulsory	46 %	100 %	100 %	100 %	91 %	88 %	72 %
Non-Compulsory	54	0	0	0	9	12	28

Another manager said, "Our dealing with the government is nothing special... It is big business groups who contact the government because they want to influence its policy. We are just a single company. We are not in the position to do that."

With respect to the ranking of the three government agencies named by each of the managers, it was found that those government agencies perceived by the managers as of first importance were more frequently voluntarily contacted. According to Table 5-2, about 27% of the government agencies ranked first, 10% of those ranked second, and 19% of those ranked third were voluntarily contacted.

Also from Table 5-2, regarding the types of contact with specific government departments, it was found that while the dealings with some government agencies were a combination of compulsory and non-compulsory dealings, the dealings with other government departments were essentially compulsory. For instance, while about 54% of the cases of contact with the Board of Investment were non-compulsory, all the cases of contact with the Industrial Works Department, the Customs Department, and the Revenue Department were compulsory.

The percentage of non-compulsory contact with a government agency may well be a rough indicator of a company's perception of the extent of the opportunities or benefits offered by that agency. For instance, the Board of Investment is the government agency which provides investment incentives. Companies can still operate lawfully without contacting it, but do so because they want to receive promotional privileges from the agency. In contrast, the Industrial Works Department, the Customs Department, and the Revenue Department -all of which are mainly regulatory agencies- are contacted by companies basically because of legal requirements such as applications for factory operations or permission for expansion, export-import documentation, and tax payments or rebates. In the case of the Internal Trade Department or the Foreign Trade Department, companies may contact them voluntarily on matters such as participation in the regular agricultural produce inspection or joining in trade negotiations abroad.



**Table 5-3: Type of Contact by Characteristics of Companies and Industries**

Type of Contact	Company's Characteristics					Industry's Characteristic			
	Size			Type		Extent of Government Control			
	Small (N=36)	Medium (N=24)	Large (N=60)	Thai (N=84)	Joint- Venture (N=27)	Foreign Subsidiary (N=12)	Small (N=18)	Moderate (N=60)	Great (N=45)
Compulsory	83 %	88 %	77 %	79 %	82 %	100 %	89 %	87 %	71 %
Non-Compulsory	17	13	23	21	19	0	11	13	29
Cramer's V	0.11			0.16		0.20			

It is further investigated whether the proportion of compulsory to non-compulsory dealings with government agencies is affected by the characteristics of companies and industries. Table 5-3 shows that the larger companies tended to make slightly more non-compulsory government contact (Cramer's  $V = 0.11$ ). About 23% of the cases of government contact by the large companies were non-compulsory, while 17% and 13% those by the small and medium-sized companies were non-compulsory.<sup>6</sup>

The Thai and joint-venture companies were likely to make more non-compulsory contact with the government than the foreign subsidiaries<sup>7</sup> (Cramer's  $V = 0.16$ ). About 21% and 19% of the cases of government contact by the Thai and joint-venture companies respectively were non-compulsory, whereas all those by the foreign subsidiaries were compulsory. The explanation for this absence of non-compulsory contact could be that the foreign subsidiaries preferred to keep a low profile on government-related activities and only made contact which were required by law.

Also from Table 5-3, the companies in industries with a great extent of government control made more non-compulsory contact than those in industries with a small extent of government control<sup>8</sup> (Cramer's  $V = 0.20$ ) For example, while 29% of the cases of government contact by the companies which said that there was a great extent of government control in their industries were non-compulsory, about 11% of those by the companies in industries with a small extent of government control and 13% of those by the companies with a moderate extent of government control were non-compulsory.

Finally, since the classification of compulsory and non-compulsory dealings will play an important part in further analysis, their meaning should be carefully noted. In

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<sup>6</sup>For the definition of small, medium-size, and large companies used here, see Chapter 2.

<sup>7</sup>For the definition of Thai, joint-venture companies, and foreign subsidiaries used here, see Chapter 2.

<sup>8</sup>For the definition of the extent of government control used here, see Chapter 2.

practice, no dealings with government agencies are purely compulsory or non-compulsory. Within a period of twelve months, a company can have both compulsory and non-compulsory dealings with one government agency. In addition, certain dealings with government agencies can be non-compulsory at the beginning but become compulsory later on or vice versa. For example, a company may voluntarily apply to receive investment promotion from the Board of Investment, but later on, after being granted a promoted status, it may have to ask permission from the Board of Investment to import new machines without having to pay customs duties. To be more precise, what is meant by "compulsory" and "non-compulsory" dealings is "mostly compulsory" and "mostly non-compulsory" (see the wording of the question in Table 5-2).

### 5.3 THE BASIS OF COMPANY CONTACT WITH GOVERNMENT AGENCIES

While the interactional approach is neglected by the literature in general, as discussed earlier in Chapter 1, the basis of the interaction of firms with government agencies is under-researched in particular. While there is extensive literature on the industrial roles played by the principal government economic departments, for example the British Department of Trade and Industry<sup>9</sup> or the Japanese Ministry of International Trade and Industry,<sup>10</sup> little empirical research has been attempted into why these

<sup>9</sup>See, for example, Steven Young, *Intervention in the Mixed Economy* (London: Croom Helm, 1974), Chapter 12 The Attempt to Implement 'Disengagement,' pp.130-146; Edmund Dell, *Political Responsibility and Industry* (London: George Allen & Unwin, 1973); Wyn Grant et al., *Government and the Chemical Industry: A Comparative Study of Britain and West Germany* (Oxford: Clarendon Press, 1988), Chapter 4, pp.76-83; and Wyn Grant and David Marsh, *The Confederation of British Industry* (London: Hodder and Stoughton, 1977), pp.97-100 and pp.158-159.

<sup>10</sup>See, for example, Chalmers Johnson, *MITI and the Japanese Miracle* (California: Stanford University Press, 1982), Chapter 5 From the Ministry of Munition to MITI, pp.157-197; OECD, *The Industrial Policy of Japan* (Paris: OECD, 1972); Philip H. Trezise, "Industrial Policy Is Not the Major Reason for Japan's Success," *The Brookings Review* (Spring, 1983), pp.13-18; Chalmers

government agencies are contacted by firms. In the case of Thailand, there have also been attempts to study the management and role in industry of some important government agencies such as the Board of Investment.<sup>11</sup> But again, little empirical work was carried out to study the basis of the interaction between government agencies and companies. In this section, the reasons why companies contact government agencies will be discussed.

### 5.3.1 Reasons for Contact

Companies contact government agencies for several reasons. According to Table 5-4, regarding the three most important government agencies, a company contacted them to a moderate extent in order to negotiate; to a small extent to complain; to a moderate extent to ask for help; to a moderate extent to send information; to a small extent to receive information; to a moderate extent to influence; to a moderate extent to maintain a relationship; and no contact at all because the government agency was one of its customers.

With respect to the ranking of the three government agencies named by each of the managers, Table 5-4 indicates that the more important to the company the agency was, the more it was contacted or dealt with by the company for the purpose of negotiation (Kendall correlation coefficient  $T = -0.21$ ,  $p = 0.007$ ); of asking for help from the agency ( $T = -0.14$ ,  $p = 0.069$ ); of sending information ( $T = -0.18$ ,  $p = 0.022$ ); of attempting to influence the agency's policies ( $T = -0.11$ ,  $p = 0.172$ ); and of maintaining the relationship with the agency ( $T = -0.16$ ,  $p = 0.042$ ).

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Johnson, "The Institutional Foundation of Japanese Industrial Policy," in Claude E. Barfield et al., editors, *The Politics of Industrial Policy* (Washington D. C.: American Enterprise Institute, 1986), pp.187-205; and Christopher Freeman, *Technology Policy and Economic Performance: Lessons from Japan* (London: Pinter, 1987), pp.33-39.

<sup>11</sup>See Settapom Kusripitak, *Samnakngarn Khana Kamakan Songserm Karnlongtoon* (The Board of Investment) (Bangkok: Thailand Development Research Institution Foundation, 1988).

**Table 5-4: Reasons for Company Contact with Government Agencies**

**Question:** *During the past 12 months, to what extent was your company involved with this agency for the following reasons?*

*Use this scale for your answers.*

1 = No Extent

2 = Small Extent

3 = Moderate Extent

4 = Great Extent

5 = Very Great Extent

Reasons for Contact	All Agencies <sup>a</sup> (N=123)	First <sup>b</sup> (N=41)	Second <sup>c</sup> (N=41)	Third <sup>d</sup> (N=41)	Kendall Corr. Coeff. T	Sig. (2-tailed)
a. To negotiate (e. g. agreements of contracts, disputes, joint ventures, etc.)	3	3	3	3	-0.21	0.007
b. To complain (e.g. about difficulties, government regulations, etc.)	2	1	2	2	0.10	0.226
c. To ask for help (e.g. financial help, advice, recommendations, opinions, etc.)	3	3	3	2	-0.14	0.069
d. To send records, reports, or other documents required by this agency	3	3	3	3	-0.18	0.022
e. To receive records, reports, or other documents from this agency	2	2	1	2	0.07	0.410
f. To influence (e.g. the agency's services, operations, policies, etc.)	3	3	3	2	-0.11	0.172
g. To establish or maintain a relationship with this agency	3	3	3	2	-0.16	0.042
h. This government agency is one of your customers	1	1	1	1	n.a.	n.a.

Note: a, b, c, d The figures shown are medians.

In addition, while most of the companies made no complaints at all to the government agencies of first importance to them, they complained to the agencies of second or third importance to them to a small extent (Kendall correlation coefficient  $T = 0.10$ ,  $p = 0.226$ ). It is rather surprising that the companies had made so few complaints to government agencies since they will certainly have encountered problems, for example with bureaucratic red tape. A comment made by one manager may help explain it. He said, "I would not like to use the word 'complain.' We did contact this agency because of some difficulties or inconvenience in the dealings. We suggested or mentioned the problem to them (the civil servants) rather than complained about it. So it was rather informal and friendly... People do not like hearing complaints, especially Thai civil servants." In addition, a few managers said that they did not complain about difficulties because they believed the effort was a waste of time or might worsen the problems.

It should be noted from Table 5-4 that in most dealings with government agencies, the companies sent more information to the agencies than they received from the agencies. One manager explained, "The government sometimes conducts a survey, so they send us forms asking for information like sales, production capacity, or product stocks. It is compulsory for us to return some of the forms and not others. But we normally return all of them if possible in order to gain goodwill... We rarely receive information from the government. Sometimes, we try to get information like export and import figures. But they are often found to be incomplete, missing, unavailable, or out-dated."

Regarding contact for the purpose of maintaining a relationship, one manager gave an example. He said, "Human relationships play an important part in working with Thai people... When invited, we usually join in the civil servants' activities like sports competitions, religious celebrations, or charities. This sort of participation helps develop a good working relationship."

**Table 5-5: Reasons for Contact by Type of Contact**

Reasons for Contact	Type of Contact <sup>a</sup>		Cramer's V	Mann-Whitney U Test	
	Compulsory (N=100)	Non-Compulsory (N=23)		Z (corrected for ties)	P (2-tailed)
a. To negotiate	3	3	0.11	-0.28	0.782
b. To complain	2	1	0.24	-2.21	0.027
c. To ask for help	3	4	0.33	-2.70	0.007
d. To send information	3	3	0.13	-0.56	0.575
e. To receive information	1	2	0.22	-1.41	0.159
f. To influence	3	2	0.22	-0.66	0.505
g. To establish or maintain a relationship	3	3	0.06	-0.17	0.865
h. This agency is one of your customers	1	1	n.a.	n.a.	n.a.

Note: <sup>a</sup> The figures shown are medians: 1 = No Extent, 2 = Small Extent, 3 = Moderate Extent, 4 = Great Extent, 5 = Very Great Extent.

### 5.3.2 Different Reasons for Different Types of Contact

Do the reasons differ in the two types of contact with government agencies? According to Table 5-5, there were several differences between the reasons for compulsory and non-compulsory dealings. While the companies negotiated with government agencies to a moderate extent in both compulsory and non-compulsory dealings (Cramer's  $V = 0.11$ ; Mann-Whitney U test,  $p = 0.782$ ), they complained to a small extent in compulsory dealings but to no extent in non-compulsory dealings ( $V = 0.24$ ,  $p = 0.027$ ). The majority of the companies asked for more help from government agencies in non-compulsory contact than in compulsory contact ( $V = 0.33$ ,  $p = 0.007$ ). While in general there was no difference between the two types of contact in the extent to which information was sent to government agencies ( $V = 0.13$ ,  $p = 0.575$ ), most of the companies received information from agencies in non-compulsory contact to a small extent but to no extent in compulsory contact ( $V = 0.22$ ,  $p = 0.159$ ). They tried to influence government agencies in compulsory contact more than in non-compulsory contact ( $V = 0.22$ ,  $p = 0.505$ ). Finally, there was no difference in extent between the two types of dealing for the purpose of establishing or maintaining a relationship with the agency ( $V = 0.06$ ,  $p = 0.865$ ).

The differences between the reasons for the two types of contact may be explained by the earlier discussion that companies usually carry on compulsory dealings in order to fulfill normal legal requirements, while non-compulsory dealings are carried on with the intention of receiving benefits and incentives from the government. Therefore, it should be expected that companies will complain and try to influence less, but ask for more help and information from government agencies in non-compulsory contact such as applications for investment promotion, than they will in compulsory contact such as tax payments or export licence applications. It may then be justifiably asked, "Are there not any opportunities, benefits, or incentives for firms in such dealings as tax payments or applications for export licences?" Of course there are. But the nature of these opportunities is different: while the opportunities in



non-compulsory contact are advantage-oriented from the standpoint of a company, those in compulsory contact are disadvantage-oriented. In other words, they try to lose the least in compulsory contact but try to gain the most in non-compulsory contact, hence the difference in the reasons for contact.

The variation in reasons for contact by the characteristics of companies and industries is next looked at. According to Table 5-6, in compulsory contact, the large companies dealt more extensively with government agencies than the small ones for negotiating, making complaints, asking for help, receiving information, attempting to influence the agency's policy, and maintaining a relationship.

Similarly, compared to the foreign subsidiaries, the Thai companies dealt with government agencies to a greater extent for making complaints, asking for help, and attempting to influence the agency's policy. However, the foreign subsidiaries contacted government agencies to a greater extent than the Thai and joint-venture companies for the purpose of receiving information.

Finally, according to Table 5-6, the companies in industries with a greater extent of government control contacted government agencies to a greater extent for the purpose of asking for help, attempting to influence the agency's policy, and maintaining a relationship.

With respect to non-compulsory contact, results similar to those for compulsory contact were also found. Table 5-6 shows that, compared to the small companies, the large companies contacted government agencies to a greater extent in order to negotiate, to ask for help, and to maintain a relationship. Similarly, the Thai companies contacted government agencies more often than the joint-venture companies in order to negotiate, to ask for help and to maintain a relationship. The companies in industries with a greater extent of government control tended to have more contact with government agencies for the purpose of asking for help and maintaining a relationship.

**Table 5-6: Reasons for Contact by Characteristics of Companies and Industries<sup>a</sup>**

Reasons for Contact	Company's Characteristics					Industry's Characteristic			
	Size			Type		Extent of Government Control			
	Small	Medium	Large	Thai	Joint-Venture	Foreign Subsidiary	Small	Moderate	Great
<b>Compulsory Contact</b>	(N=30)	(N=21)	(N=46)	(N=66)	(N=22)	(N=12)	(N=16)	(N=52)	(N=32)
a. To negotiate	2	3	3	3	3	3	3	3	3
b. To complain	1	2	2	2	1	1	2	2	2
c. To ask for help	2	3	3	3	3	2	2	3	3
d. To send information	3	3	3	3	3	3	3	3	3
e. To receive information	1	1	2	1	1	2	2	1	2
f. To influence	1	3	3	3	3	2	2	3	3
g. To maintain a relationship	2	2	3	3	3	3	2	3	3
h. One of your customers	1	1	1	1	1	1	1	1	1
<b>Non-Compulsory Contact</b>	(N=6)	(N=3)	(N=14)	(N=18)	(N=5)	(N=0)	(N=2)	(N=8)	(N=13)
a. To negotiate	+	2	3	3	2	n.a.	+	3	3
b. To complain	1	1	1	1	1	n.a.	1	1	1
c. To ask for help	3	3	4	4	3	n.a.	3	3	4
d. To send information	3	3	3	3	3	n.a.	3	3	3
e. To receive information	2	2	2	2	2	n.a.	2	2	2
f. To influence	2	2	2	2	2	n.a.	2	2	2
g. To maintain a relationship	2	2	3	3	2	n.a.	2	2	3
h. One of your customers	1	1	1	1	1	n.a.	1	1	1

Note: <sup>a</sup> The figures shown are medians: 1 = No Extent, 2 = Small Extent, 3 = Moderate Extent, 4 = Great Extent, 5 = Very Great Extent.

+ Two categories are collapsed together because there are too few cases in each.

In short, these findings, together with those from Table 5-3 discussed earlier, suggest that the large or Thai companies or those in the industries with a great extent of government control had more interaction with government agencies for the contact reasons studied here than did the small or foreign companies or those in industries with a small extent of government control.

#### 5.4 INFLUENCE WITHIN CONTACT

As discussed earlier in the Chapter 1, Murray stated that there are three primary dimensions of the description of government and business relations: the congruence of values, power balance in the decision-making, and desirability for society<sup>12</sup> (see Figure 1-1). The power balance in the decision-making or influence dimension has been extensively treated by the literature. Marxist thinking suggests that government is strongly business-dominated and always takes the side of business,<sup>13</sup> while pluralist thinking argues that social power is competitive, fragmented and diffused.<sup>14</sup> It is argued here that such a sweeping macro-description of government and business relations as those above, despite its usefulness in enabling one to conceive the overall nature of the relations, can often be inaccurate. In fact several authors support this view. For example, Islam and Ahmed wrote, "Further empirical research is required to investigate the behaviour and perceptions of top level decision-makers and to study business-government interaction... Business-government relations are neither entirely conflictual nor are they completely cooperative."<sup>15</sup> In

<sup>12</sup>V. V. Murray, editor, *Theories of Business-Government Relations* (Toronto: Trans-Canada Press, 1985), pp.3-5.

<sup>13</sup>David A. Gold et al., "Recent Developments in Marxist Theories of the Capitalist State: Part I and II," *Monthly Review* (October, 1975 and November, 1975), pp.29-34 and 36-51.

<sup>14</sup>See, for example, Andrew B. Gollner, "The Dynamics of State Intervention," in Murray, op.cit., pp.57-81; and Robert Dahl, *Who Governs?* (New Haven: Yale University Press, 1961). A good example of the rise and fall of business influence in the United States during the 1960s and 1970s can be seen in David Vogel, "The Power of Business in America: A Re-Appraisal," *British Journal of Political Sciences*, Vol.13 (January, 1983), pp.19-43.

<sup>15</sup>Nasir Islam and Sadrudin A. Ahmed, *Business Influence on Government: A Comparison of*

the comparison of influence within institutional interaction between government and business in Thailand, this research relied more on specific empirical evidence by directly asking the managers themselves how much influence they thought they had over the government agencies contacted and vice versa.

#### 5.4.1 The Extent of Influence

According to Table 5-7, most of the managers said they had no influence or little influence on the government agencies contacted by them, but that the agencies had moderate or great influence on their companies. The Table also shows that government agencies generally had more influence on the companies in non-compulsory contact than in compulsory contact (Cramer's  $V = 0.16$ ). That is, government agencies were frequently perceived by the managers as having moderate influence on their companies in compulsory contact and great influence in non-compulsory contact (Mann-Whitney U test,  $p = 0.444$ ). The managers said that 65% of the agencies that their companies contacted non-compulsorily and 50% that they contacted compulsorily had either a great or a very great influence on their companies.

On the other hand, the managers generally said that their companies had no influence on government agencies in compulsory contact and little influence in non-compulsory contact (Cramer's  $V = 0.39$ ; Mann-Whitney U test,  $p = 0.012$ ). The managers said that their companies had little or no influence on 92% of the agencies in compulsory dealings, and on 66% of those in non-compulsory dealings.

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Public and Private Sector Perceptions," *Canadian Public Administration*, Vol.27, No.1 (Spring, 1984), p.101.

**Table 5-7: Influence within Contact by Type of Contact**

**Question:** a) Overall, how much influence did this agency have on your company during the past 12 months?  
 b) On other hand, overall, how much influence did your company have on this agency during the past 12 months?  
 Use this scale for your answer.  
 1 = No Influence                      2 = Little Influence                      3 = Moderate Influence  
 4 = Great Influence                      5 = Very Great Influence

Comparative Influence	Rating Value	Influence of Government Agencies Over Companies		Influence of Companies Over Government Agencies	
		Compulsory (N=100)	Non-Compulsory (N=23)	Compulsory (N=100)	Non-Compulsory (N=23)
No Influence	1	2 %	4 %	67 %	44 %
Little Influence	2	13	9	25	22
Moderate Influence	3	35	22	3	30
Great Influence	4	31	48	5	4
Very Great Influence	5	19	17	0	0
Median		3	4	1	2
Cramer's V			0.16		0.39
Mann-Whitney U Test		Z (corrected for ties)	-0.77		-2.52
		p (two-tailed)	0.444		0.012

Table 5-7 also shows that comparatively, the companies' influence on government agencies in compulsory contact was less than it was in non-compulsory contact. This could be because managers have less room for manoeuvre in compulsory dealings with the government than in non-compulsory ones. As one manager said, "The laws are there. We cannot do anything much." Another added, "There is not much need to influence the government on things like paying taxes."

One may ask why there was a considerable gap between the perception of the influence of government agencies on the companies and the perception of the companies' influence on the agencies. In fact, Islam and Sadrudin also found in their survey that Canadian managers felt that their influence on civil servants was rather low. They explained that the perception of managers was shaped by their specific experience of obtaining favourable outcomes for their individual firms.<sup>16</sup> In other words, managers may be preoccupied by certain areas of interaction with the government in which they are not doing well and overlook the areas where they have established some influence. In addition, some managers may have too high an expectation of their influence to be satisfied with the outcome of their dealings with government agencies. For example, one of the managers interviewed complained, "Our company has often been taxed twice by the government. We had to talk and deal with the authorities of the Revenue Department. We explained the situation and showed them the evidence, but it took a lot of our time and resources to settle down the matters." The company finally got its tax rebate. This manager would have said he had more influence on the agency had he considered only the final outcome, but said otherwise because he took into account the amount of time and resources lost during the negotiations with the agency.

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<sup>16</sup>Ibid., p.98.

**Table 5-8: Influence within Contact by Characteristics of Companies and Industries<sup>a</sup>**

	Company's Characteristics						Industry's Characteristic			
	Size			Type			Extent of Government Control			
	Small	Medium	Large	Thai	Joint-Venture	Foreign Subsidiary	Small	Moderate	Great	
<b>Comparative Influence</b>										
<b>Compulsory Contact</b>	(N=30)	(N=21)	(N=46)	(N=66)	(N=22)	(N=12)	(N=16)	(N=52)	(N=32)	
Influence of Govt. Agencies Over Companies	4	3	3	4	3	3	4	3	4	
Influence of Companies Over Govt. Agencies	1	1	1	1	1	1	1	1	2	
<b>Non-Compulsory Contact</b>	(N=6)	(N=3)	(N=14)	(N=18)	(N=5)	(N=0)	(N=2)	(N=8)	(N=13)	
Influence of Govt. Agencies Over Companies	+	4	4	4	4	n.a.	+	4	4	
Influence of Companies Over Govt. Agencies	2	2	2	2	1	n.a.	2	2	2	

Note: <sup>a</sup> The figures shown are medians: 1 = No Influence, 2 = Little Influence, 3 = Moderate Influence, 4 = Great Influence, 5 = Very Great Influence.

+ Two categories are collapsed together because there are too few cases in each.

#### **5.4.2 The Variation of Influence with Characteristics of Companies and Industries**

According to Table 5-8, in compulsory contact, government agencies had more influence on the small companies than on the large ones. Similarly, the government agencies had more influence on the Thai companies than on the joint-venture companies and the foreign subsidiaries. And compared to those in industries with a small or great extent of government control, the companies in industries with a moderate extent of government control tended to be more influenced by government agencies.

At the same time, most of the managers of companies of different sizes and types said that they had no influence in their compulsory dealings with the government. The exceptions were the managers of the companies in industries with a great extent of government control, who often said that they had little influence on government agencies.

On the other hand, regarding non-compulsory dealings, the managers of companies of different sizes, types, and with different extents of government control invariably said that government agencies had great influence on their companies but conversely, they had little influence on the agencies.

In general, Table 5-8 suggests that there was more variation in the degree of influence with the characteristics of companies and industries within compulsory contact than within non-compulsory contact. One explanation may be that the nature of government dealings of companies of different sizes and types and with different degrees of government control may differ more in compulsory contact than in non-compulsory contact. For example, in non-compulsory dealings such as applications for investment incentives, the government may treat all companies indifferently, whereas in compulsory dealings such as routine factory inspections, the government may look more carefully at the safety standards of small factories than at those of large ones.



## 5.5 PERSONNEL LINKS WITHIN CONTACT

The aspect of personnel links within government and business relations has been paid considerable attention by the literature. For instance, there is a consensus in the literature that in Japan a strong and intimate relationship between members of the state bureaucracy and those of the business community has long existed. As Koji Taira and Teichi Wada put it:

"Every year, young men of 22 to 25 years old, upon graduation from Tokyo University, fan out into the state bureaucracy, big business, and other areas of life. Those who have entered the civil service serve out their term and become ready to move to private business in their forties and fifties. By this time, their former classmates in giant corporations have also risen through the ranks and have become seasoned middle-level managers, some already contenders for leading positions. At this point the two streams of Tokyo University graduates join forces in private business. The former bureaucrats among them occasionally return to government to participate in policy-making through consultative councils. There they encounter high-level civil servants who many years earlier were junior civil servants running errands for them when they were in leading positions. In this way business also runs government."<sup>17</sup>

They stated that the business leaders' and ex-bureaucrats' sons also repeat the above cycle and that the exchange of one another's sons and daughters through marital ties even further consolidates the privileges of leadership.<sup>18</sup>

Johnson further claimed that the re-employment of retired government bureaucrats on boards of directors also occurred in other countries. He wrote, "Although in the United States the preferred insiders are ex-congressmen rather than ex-bureaucrats."<sup>19</sup> And in Canada, as mentioned earlier in Chapter 1, research

<sup>17</sup>Koji Taira and Teichi Wada, "Business-Government Relations in Modern Japan," in Mark S. Mizuchi and Michael Schwartz, editors, *Intercorporate Relations: The Structural Analysis of Business* (Cambridge: Cambridge University Press, 1987), p.265.

<sup>18</sup>Loc.cit.

<sup>19</sup>Chalmers Johnson, *MITI and the Japanese Miracle* (California: Stanford University Press, 1982),

efforts have also been made to compare the social and educational background of the government and business elite.<sup>20</sup>

Nevertheless, the literature pays little attention to or even fails to recognise the personal and personnel links developed during companies' dealings with government agencies. In this part these personnel links within interaction will be investigated. Compared to the literature's approach of comparing the social and educational backgrounds of the elite in business and government, the personnel links discussed here are more specific and can be resources of information for managers in improving their relations with the government agencies their companies have contacted.

### **5.5.1 Company Personnel Responsible for Government Contact**

In the fieldwork of this research, after a company's consent for an interview, a brief discussion was held with a person in the company, usually a senior secretary, to designate the person to be interviewed. It was seldom found that a single person or division was responsible for the company's contact with government agencies. In fact, only one company in the whole sample had a government-relations division. In most of the companies, each functional division individually and separately handled its own contact with the government. However, a company's activities in relation to the government were rarely spread equally among various functional divisions; usually one or two line-managers or certain chief executive officers were more active in dealing with government agencies than others. For instance, one of the sample companies which exported its products extensively had the marketing manager actively dealing with the government, specifically the Customs Department, whereas in another company which concentrated on manufacturing industrial products such as car tyres, the production manager was more active than others in the company's

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p.70.

<sup>20</sup>See Isaiah Litvak, "The Ottawa Syndrome: Improving Business/Government Relations," *Business Quarterly*, Vol.44, No.2 (Summer, 1979); and Islam and Ahmed, op.cit.

government dealings, in particular with the Industrial Works Department. But this was not always the case; in some of the companies the chief executive officers such as the managing directors, the presidents or their deputies played a leading role by dealing with the government themselves. In a more precise sense, "who is responsible" here should mean "who knows best about" the company's dealings with government agencies.

**Table 5-9: Company Personnel Responsible for Contact with Government Agencies**

Position	Frequency (N=41)
Chief Executive Officer	29 %
Production or Engineering Manager	5
Marketing or Sales Manager	12
Financial Manager	5
Personnel Manager	29
Others	20

Bearing in mind the above description, Table 5-9 shows that the person primarily responsible for government contact in the companies was often the chief executive officer or the personnel manager. About 58% of the companies designated either the chief executive officer or the personnel manager to be primarily responsible for their dealings with the government. However, the percentage distribution shown indicates that the government related activities of several of the companies were handled in a rather fragmented and ad hoc manner when compared to those of companies in advanced industrial countries. For instance, James E Post and others surveyed the public affairs function of 1,000 firms in the United States. It was found that US companies have recognised the importance of their politicised environment and the government and have generally attempted to design and added capabilities to organisational mechanisms, public affairs units, to deal with them. According to their survey, the function of the public affairs unit tended to revolve around two principal areas -government relations and community relations.<sup>21</sup>

The above difference may be due to the fact that companies in advanced industrial countries such as the United States are much larger and have more sophisticated and developed management systems as well as wider and more complicated environmental contexts than companies in Thailand. However, as Thai companies become larger, more mature and modern, their interests and impact on the wider society more evident, and consequently, their involvement with the government more extensive, it is likely that a better defined organisational unit within a company for dealing with the external factors, especially the government, will be formed. As one chief executive interviewed said, "For a big company like ours, what the government does and what we do are closely related. In fact, several issues in our directors' meetings are concerned with the government and its policies...We are thinking of making somebody particularly responsible for these (the company's government-related activities)." Another manager of a big business group added, "We can no longer look at firms as purely profit-making organisations. The public are watching us. Our own workers are also aware of what the management are doing... We have to contribute something to the society."

### 5.5.2 Contact Government Officials

The characteristics of the government officials regularly or primarily contacted by the companies are discussed next. Table 5-10 shows that in both compulsory and non-compulsory dealings, a company normally communicated with an average of 5 contact officials when dealing with a government agency (T-test,  $p = 0.994$ ).

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<sup>21</sup>James E. Post et al., "The Public Affairs Function in American Corporations: Development and Relations with Corporate Planning," *Long Range Planning*, Vol.15, No. 2 (1982), pp. 13-14.

**Table 5-10: The Average Number of Contact Government Officials**

**Question:** *How many contact persons did your company normally communicate with when dealing with this agency during the past 12 months? For example, company A normally contacted the Director of the Industrial Economics Division when dealing with the Ministry of Industry during the past 12 months.*

Type of Contact	Company's Characteristics							Industry's Characteristic			
	Size			Type				Extent of Government Control			
	All Firms	Small	Medium	Large	Thai	Joint-Venture	Foreign Subsidiary	Small	Moderate	Great	
<b>Compulsory</b> (N=100)	(N=30)	(N=21)	(N=46)	(N=66)	(N=22)	(N=12)	(N=16)	(N=52)	(N=32)		
	3	5	5	5	4	4	4	4	5		
<b>Non-Compulsory</b>	(N=6)	(N=3)	(N=14)	(N=18)	(N=5)	(N=0)	(N=2)	(N=8)	(N=13)		
	4	4	5	5	3	n.a.	3	3	6		

T-Test (compulsory versus non-compulsory types of contact) T = -0.07, p = 0.994

Note: + Two categories are collapsed together because there are too few cases in each.

According to the Table, the large or Thai companies or those in industries with a great extent of government control had a slightly higher number of contact officials in their dealing with a government agency than the small or joint-venture or foreign companies or those in industries with a small extent of government control. This may be because the former had greater scope and more dealings with the government than the latter.

**Table: 5-11: Job-Level of Contact Officials by Type of Contact**

		Type of Contact	
		Compulsory (N=100)	Non-Compulsory (N=21)
<b>Question:</b>	<i>(Continuing from the previous question)</i>		
	<i>a) What was the <u>highest job-level</u> of these contact persons?</i>		
	<i>b) What was the <u>lowest job-level</u> of these contact persons?</i>		
	<i>1 = Senior Level (such as the Director of Division)</i>		
	<i>2 = Middle Level (such as the Head of Section )</i>		
	<i>3 = Ordinary Level (such as members of the administrative staff, clerks, etc.)</i>		
		Type of Contact	
<b>Highest Job-Level</b>	Rating Value	Compulsory (N=100)	Non-Compulsory (N=21)
Senior Level	1	55 %	67 %
Middle Level	2	34	29
Ordinary Level	3	11	5
Median		1	1
Cramer's V			0.10
Mann-Whitney U Test	Z (corrected for ties)		-1.08
	p (two-tailed)		0.282
		Type of Contact	
<b>Lowest Job-Level</b>	Rating Value	Compulsory (N=100)	Non-Compulsory (N=21)
Senior Level	1	5 %	19 %
Middle Level	2	15	19
Ordinary Level	3	80	62
Median		3	3
Cramer's V			0.21
Mann-Whitney U Test	Z (corrected for ties)		-1.95
	p (two-tailed)		0.051

Table 5-11 shows that in both compulsory and non-compulsory dealings, the highest rank of these contact officials can be as high as senior level such as director of

a division (Cramer's  $V = 0.10$ ; Mann-Whitney U test,  $p = 0.282$ ). About 55% of the cases of compulsory contact and 67% of the cases of non-compulsory contact were made with the contact officials whose highest rank was senior level.

Table 5-11 also shows that in both types of contact, the lowest rank of the contact officials could be ordinary level such as members of administrative staff or clerk (Cramer's  $V = 0.21$ ; Mann-Whitney U test,  $p = 0.051$ ). About 80% of the cases of compulsory contact and 62% of the cases of non-compulsory contact were made with the the contact officials whose lowest rank was ordinary level.

In short, in its contact with a government agency, whether compulsory or non-compulsory by law, a company normally communicates with about five contact officials whose positions can range from director of a division to member of administrative staff or clerk.

With respect to the characteristics of companies and industries, it was found from Table 5-12 that in compulsory contact, the large or Thai companies or those in industries with a great extent of government control normally communicated with more senior government officials than the small or foreign companies or those in industries with a small extent of government control. However, the companies, regardless of size, origin or extent of government control were likely to communicate equally with ordinary-level officials such as members of the administrative staff or clerks.

According to Table 5-12, a similar pattern of personnel links was also found in non-compulsory dealings. While the level of the government officials regularly or primarily contacted by the large companies ranged from senior level to middle level such as head of a section, the level of those contacted by the small or medium-sized companies ranged from middle level to ordinary level. And whereas the highest level of the contact officials of the Thai companies was frequently senior level, that of the contact officials of the joint-venture companies was middle level.

**Table 5-12: Job-Level of Contact Officials by Characteristics of Companies and Industries<sup>a</sup>**

Job-Level	Company's Characteristics					Industry's Characteristic			
	Size			Type		Extent of Government Control			
	Small (N=30)	Medium (N=21)	Large (N=46)	Thai (N=66)	Joint-Venture (N=22)	Foreign Subsidiary (N=12)	Small (N=16)	Moderate (N=52)	Great (N=32)
Highest	2	1	1	1	1	2	2	1	1
Lowest	3	3	3	3	3	3	3	3	3
<b>Non-Compulsory Contact</b>	(N=6) +	(N=3)	(N=12)	(N=16)	(N=5)	(N=0)	(N=2)	(N=8)	(N=11)
Highest	2		1	1	2	n.a.	1	1	1
Lowest	3		2	3	3	n.a.	3	3	3

Note: <sup>a</sup> The figures shown are medians: 1 = Senior Level, 2 = Middle Level, 3 = Ordinary Level.

+ Two categories are collapsed together because there are too few cases in each.



The different personnel links could be due to the different nature of the government dealings of companies with various extents of government control and with different characteristics. Referring to earlier discussion (see Table 5-6), it was found that during their interaction with a government agency, the large or Thai companies or those in industries with a great extent of government control were more often engaged in such activities as negotiation, asking for help, attempting to influence, or maintaining a relationship than the small or foreign companies, or those in industries with a small extent of government control.

### 5.5.3 The Helpfulness of Contact Officials

After identifying the number of contact officials and their positions, the managers were then asked how helpful these officials were.

**Table: 5-13: The Helpfulness of Contact Officials by Type of Contact**

Helpfulness	Rating Value	Type of Contact	
		Compulsory (N=100)	Non-Compulsory (N=21)
Not At All	1	3 %	0 %
Slightly Helpful	2	18	5
Helpful	3	57	43
Very Helpful	4	20	48
Extremely Helpful	5	2	5
Median		3	4
Cramer's V			0.27
Mann-Whitney U Test	Z (corrected for ties) p (two-tailed)		-2.92 0.004

**Table 5-14: The Helpfulness of Contact Officials by Characteristics of Companies and Industries<sup>a</sup>**

Type of Contact	Company's Characteristics						Industry's Characteristic			
	Size						Type			
	All Firms	Small	Medium	Large	Thai	Joint-Venture	Foreign Subsidiary	Small	Moderate	Great
<b>Compulsory</b>	(N=100)	(N=30)	(N=21)	(N=46)	(N=66)	(N=22)	(N=12)	(N=16)	(N=52)	(N=32)
	3	3	3	3	3	3	3	3	3	3
<b>Non-Compulsory</b>	(N=21)	(N=6)	(N=3)	(N=12)	(N=16)	(N=5)	(N=0)	(N=2)	(N=8)	(N=11)
	4	+	3	4	4	3	n.a.	+	4	3

Note: <sup>a</sup> The figures shown are medians: 1 = Not At All, 2 = Slightly Helpful, 3 = Helpful, 4 = Very Helpful, 5 = Extremely Helpful.  
 + Two categories are collapsed together because there are too few cases in each.

Table 5-13 shows that they were more helpful in non-compulsory dealings than in compulsory ones (Cramer's  $V = 0.27$ ; Mann-Whitney U test,  $p = 0.004$ ). The contact officials were said by the managers to be very or extremely helpful in 53% of the cases of non-compulsory contact, whereas they were said to be so in 22% of the cases of compulsory contact.

One of the explanations for this difference could be that in compulsory contact, such as regular applications for factory operation licences or factory expansion permission or product standards testing, the legal restrictions make a company's dealings with government agencies rather rigid or less flexible than those in non-compulsory contact, such as asking for information or joining in the government's seasonal crop inspection. In other words, in compulsory contact, even though government officials want to be helpful, they cannot be so because of legal restrictions. One manager gave an example of his company's contact with the Revenue Department. He said, "In normal tax payment, they (the contact government officials) cannot be of much help. There are certain procedures we have to follow... They can be helpful when it is something different from the regular tax payment. For instance, our company is receiving investment promotion privileges from the government, which means that we can claim some the taxes back. The process (of claiming) can take as long as a month or a year. They can be helpful in speeding up the tax rebate." In addition, in compulsory dealings, it may be that companies do not expect the contact officials to be as helpful as in non-compulsory ones because in the former, companies only want to fulfill the necessary legal requirements, whereas in the latter, they deal with government agencies with the aim of getting some form of benefit.

Table 5-14 further confirms the above explanation. It indicates that the contact official were equally helpful to most of the companies in compulsory dealings, regardless of size, origin or extent of government control. However, in non-compulsory dealings, the large or Thai companies were frequently able to elicit more

help from the contact officials than the small or joint-venture companies. And the contact officials were more helpful to the companies in industries with a small extent of government control than to those in industries with a great extent of government control.

#### 5.5.4 Company Acquaintance with Contact Officials

Finally, in this section the issue of how well acquainted the managers or the companies were with the contact officials is discussed. According to Table 5-15, there was a similar level of acquaintance with the contact officials in both compulsory and non-compulsory dealings (Cramer's  $V = 0.14$ ).

**Table 5-15: Acquaintance with Contact Officials by Type of Contact**

Acquaintance	Rating Value	Type of Contact	
		Compulsory (N=100)	Non-Compulsory (N=21)
Not At All	1	17 %	5 %
Slightly Acquainted	2	21	24
Moderately Acquainted	3	34	33
Well Acquainted	4	25	33
Very Well Acquainted	5	3	5
Median		3	3
Cramer's V			0.14
Mann-Whitney U Test	Z (corrected for ties) p (two-tailed)		-1.21 0.225

Generally, in both types of dealings, the managers said that they or their companies were moderately acquainted with the government official with whom they normally communicated when dealing with the agency (Mann-Whitney U test,  $p =$

0.225). In 34% of the cases of compulsory contact and 30% of the cases of non-compulsory contact, the managers said they or their companies were moderately acquainted with the contact officials.

It is interesting to note the variety of personal acquaintance described by the managers. One manager said, "After years of contact, we have become acquainted with each other. In fact, I know some of them (the civil servants) quite well. During weekends, we sometimes go and play golf together." Another manager said, "I know them well because we used to study in the same class at university." One personnel manager who used to work in the Labour Department explained, "I am more acquainted with the civil servants in the (Labour) Department because several of my colleagues are still working there. Sometimes I am invited to lecture or organise a seminar or training for the Department." Thus, the managers' or the companies' acquaintance with the contact officials can be due to connections other than their regular dealings, such as having attended the same university or being former colleagues.

Table 5-16 suggests that almost regardless of size, origin or the extent of government control in the industry, most of the companies were moderately acquainted with the contact officials. However, in compulsory dealings, the small companies were slightly acquainted with the contact officials, while in non-compulsory dealings, the joint-venture companies were slightly acquainted with the contact officials.

**Table 5-16: Acquaintance with Contact Officials by Characteristics of Companies and Industries<sup>a</sup>**

Type of Contact	Company's Characteristics						Industry's Characteristic			
	Size						Extent of Government Control			
	All Firms	Small	Medium	Large	Thai	Joint-Venture	Foreign Subsidiary	Small	Moderate	Great
<b>Compulsory</b>	(N=100)	(N=30)	(N=21)	(N=46)	(N=66)	(N=22)	(N=12)	(N=16)	(N=52)	(N=32)
	3	2	3	3	3	3	3	3	3	3
<b>Non-Compulsory</b>	(N=21)	(N=6)	(N=3)	(N=12)	(N=16)	(N=5)	(N=0)	(N=2)	(N=8)	(N=11)
	3	+	3	3	3	2	n.a.	+	3	3

Note: <sup>a</sup> The figures shown are medians: 1 = Not At All, 2 = Slightly Acquainted, 3 = Moderately Acquainted, 4 = Well Acquainted, 5 = Very Well Acquainted.

+ Two categories are collapsed together because there are too few cases in each.

### 5.5.5 The Relationship between the Helpfulness of Contact Officials and Company Acquaintance with Contact Officials

While the literature on the personnel links aspect of government and business relations stresses the sharing or lack of common social and educational backgrounds of personnel in government and business as the factors shaping the characteristics of their interaction, it offers little empirical evidence concerning the connection between acquaintance with government officials and their helpfulness.<sup>22</sup> Why do companies participate in charity events organised by government departments? Or why do some companies, especially the larger ones, appear to be willing to pay good salaries to attract former senior bureaucrats onto their board of directors? To a certain extent, it is widely presumed that it is because managers believe that some form of personal acquaintance with government officials will be helpful to their dealings with government agencies.

**Table 5-17: Correlation between Acquaintance with Contact Officials and the Helpfulness of Contact Officials**

	Type of Contact	
	Compulsory (N=100)	Non-Compulsory (N=21)
Kendall Correlation Coefficient T	0.66	0.72
Significance (two-tailed)	0.000	0.000

The figures in Table 5-17 support the above assumption. According to the Table, the more acquainted the managers or the companies were with the government officials regularly or primarily contacted, the more helpful the contact officials were said to be in their dealings with the agency. And this applied in both compulsory

<sup>22</sup>See, for example, Chitoshi Yanaga, *Big Business in Japanese Politics* (New Haven: Yale University Press, 1968), pp.12-26.

(Kendall correlation coefficient  $T = 0.66$ ,  $p = 0.000$ ) and non-compulsory dealings ( $T = 0.72$ ,  $p = 0.000$ ). One of the managers interviewed made this comment, "The civil servants are ordinary people like you and me. They are likely to help the persons they know better than others. Moreover, certain values in Thai culture such as paying respect to older or more senior people encourages such a tendency. For instance, most bureaucrats still have respect for their former bosses, who may now be working in private companies."

## 5.6 PATTERNS OF COMMUNICATION WITHIN CONTACT

This section will examine the pattern of communication in the interaction between companies and government agencies, an area largely neglected by the literature. What are the methods and the frequency of company communication with government agencies? Do some methods of communication dominate in the interaction, compared to the others, or they are equally used? Are the patterns of communication different between compulsory and non-compulsory dealings? And who initiates the communication? The answers to these questions will strengthen the literature on the mechanism-of-interaction school discussed earlier in Chapter 1.<sup>23</sup> In particular, they address the question: How do business and government interact?

### 5.6.1 Frequency and Methods of Communication

According to Table 5-18, the companies, on average, generally contacted a government agency once a month. Specifically, on average, they contacted a government agency by letter or report about 1-2 times a year, by telephone once every three months, and by face-to-face meeting about monthly. In other words, the companies relied more on face-to-face meetings in their communication with a

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<sup>23</sup>Also see, Charles J. McMillan and Victor V. Murray, "Strategically Managing Public Affairs: Lessons From the Analysis of Business-Government Relations," *Business Quarterly*, Vol.48, No.2 (1983), p.97.



government agency than on other methods such as telephone calls or letters.

**Table 5-18: Frequency and Methods of Communication**

Frequency of Communication	Rating Value	Specific Method			
		General (N=123)	Letter (N=123)	Phone (N=123)	Meeting (N=123)
No Contact	0	0 %	11 %	18 %	3 %
1-2 Times	1	8	44	32	14
Once Every 3 Months	2	26	22	20	29
About Monthly	3	36	20	18	32
About Every 2-3 Weeks	4	12	2	7	11
About Weekly	5	12	1	5	8
About Daily	6	6	0	0	4
Many Times Daily	7	0	0	0	0
Median		3	1	2	3

Some managers' comments made during the interviews may help to explain why face-to-face meetings were used more extensively than other methods in their companies' dealing with government agencies. Several managers similarly and consistently indicated that they preferred to communicate through meetings than through telephone calls or letters. One manager explained, "Letters make things even more bureaucratic. They are also slow and too formal. Direct talking is the most effective way of dealing with government agencies... Usually, a series of dealings with a government agency begins with letters. This followed by telephone calls or meetings." Another said, "Communicating through letters or talking on a telephone

can cause misunderstanding. There are several matters during contact which need to be explained, discussed, and resolved. You cannot have a discussion on a letter or give a good explanation on a telephone. You have to go to see them (the civil servants) and talk... In a face-to-face meeting, communication is more interactive and matters can be explained right away."

In addition, the predominance of face-to face meetings as a method used in communication may be due to the nature of the companies' dealings with government agencies. As one manager explained, "Contact with the government for paying taxes or export documentation often involves filling in forms. If every thing is okay, the contact ends there. But usually there are problems. And this brings us to the stage of negotiating with or trying to influence government officials, which can only be efficiently done by meeting and talking directly with them."

However, the finding that the companies generally contacted a government agency once a month, or that they communicated with a government agency by letter about 1-2 times a year, should not be taken literally. For example, one manager said, "The frequency of our contact with government agencies varies greatly. In normal circumstances, we may not have any contact at all. But when something unusual like a shortage of component parts happens, we may be dealing almost every day with the government." Thus, when interpreting the finding, it should be borne in mind that the answers concerning the contact frequency given by the managers represent averages over 12 months; the actual frequency of dealing may vary greatly from one period to another, and fluctuate within the period itself.

It should also be noted that the total of the average frequencies (medians in this case) of the three specific methods of communication is higher than the average frequency of contact in general (see Table 5-18). This is because the managers' approximate division of the general frequency of contact into three sub-frequencies, one for each specific method of communication, initially involves some small errors, and consequently generates the result described above.

**Table 5-19: Frequency and Methods of Communication by Type of Contact**

Methods of Communication	Type of Contact		Cramer's V	Mann-Whitney U Test	
	Compulsory (N=100)	Non-Compulsory (N=23)		Z (corrected for ties)	P (2-tailed)
<b>General</b>	3	3	0.19	-0.77	0.440
<b>Specific</b>					
a. Letter	1	2	0.17	-0.10	0.921
b. Phone	1	2	0.19	-0.82	0.414
c. Meeting	3	3	0.26	-0.09	0.931

**Note:** a The figures shown are medians: 0 = No Contacts, 1 = 1-2 Times, 2 = Once Every 3 Months, 3 = About Monthly, 4 = About Every 2-3 Weeks, 5 = About Weekly, 6 = About Daily, 7 = Many Times Daily.

### 5.6.2 Communication within Different Types of Contact

The analysis further asks whether compulsory and non-compulsory dealings involve different frequencies and methods of communication. Table 5-19 shows that the two types of dealings differed slightly in frequency and method of communication. Generally, on average, the companies made contact with a government agency once a month in both compulsory and non-compulsory dealings (Cramer's  $V = 0.19$ ; Mann-Whitney U test,  $p = 0.440$ ). However, specifically, while meeting about monthly with the relevant government officials in both compulsory and non-compulsory dealings ( $V = 0.26$ ,  $p = 0.931$ ), the companies communicated more frequently with a government agency by letter and telephone in non-compulsory contact than in compulsory contact (telephone:  $V = 0.19$ ,  $p = 0.414$ ; and letters:  $V = 0.17$ ,  $p = 0.921$ )

The differences described above may, again, be explained by the different characteristics of compulsory and non-compulsory dealings (see Table 5-5). Compared to non-compulsory contact, the companies were engaged to a greater extent in compulsory contact in such activities as making complaints or attempting to gain influence, hence their greater reliance on or preference for face-to-face meetings. On the other hand, in non-compulsory contact such as asking for information, help or advice from government agencies, letters or telephone calls can be complementary to face-to-face meetings.

Regarding the variation in contact frequency and methods of communication with the characteristics of companies and industries, it was found from Table 5-20 that in general, most of the companies, regardless of size, origin or extent of government control dealt with a government agency once a month on average in both types of contact.

**Table 5-20: Frequency and Methods of Communication by Characteristics of Companies and Industries<sup>a</sup>**

Methods of Communication	Company's Characteristics						Industry's Characteristic			
	Size			Type			Extent of Government Control			
	Small	Medium	Large	Thai	Joint-Venture	Foreign Subsidiary	Small	Moderate	Great	
<b>Compulsory</b>	(N=30)	(N=21)	(N=46)	(N=66)	(N=22)	(N=12)	(N=16)	(N=52)	(N=32)	
<i>General Specific</i>	3	3	3	3	3	3	3	3	3	
a. Letter	1	1	1	1	1	1	1	1	1	
b. Phone	1	2	2	2	1	1	2	1	2	
c. Meeting	3	2	2	2	3	3	3	2	3	
<b>Non-Compulsory</b>	(N=6)	(N=3)	(N=14)	(N=18)	(N=5)	(N=0)	(N=2)	(N=8)	(N=13)	
<i>General Specific</i>	+ 3		3	3	3	n.a.		+ 3	3	
a. Letter	2		1	2	0	n.a.		1	2	
b. Phone	2		2	2	1	n.a.		2	2	
c. Meeting	3		3	3	3	n.a.		3	2	

Note: a The figures shown are medians: 0 = No Contact, 1 = 1-2 Times, 2 = Once Every 3 Months, 3 = About Monthly, 4 = About Every 2-3 Weeks, 5 = About Weekly, 6 = About Daily, 7 = Many Times Daily.  
 + Two categories are collapsed together because there are too few cases in each.

However, with regard to specific methods of communication, there was a considerable variation in the frequency of contact made by the companies of different characteristics. That is, in compulsory contact, the small or foreign companies dealt more frequently with government agencies through face-to-face meetings than the large or Thai companies; and the companies in industries with a moderate extent of government control communicated less through face-to-face meetings than those in industries with a small or great extent of government control. In non-compulsory contact, the small companies communicated more frequently with government agencies by letter than the large companies; the Thai companies dealt more frequently by letter or telephone than the joint-venture companies; and while the companies in industries with a greater extent of government control used letters, telephone calls and face-to-face meetings equally in their dealings with government agencies, those in industries with a lesser extent of government control relied more on face-to-face meetings than on letters or telephone calls.

**Table 5-21: The Initiation of Contact by Type of Contact**

Company-Initiated Contact	Rating Value	Type of Contact	
		Compulsory (N=100)	Non-Compulsory (N=23)
0-20 %	1	0 %	9 %
21-40 %	2	3	9
41-60 %	3	8	4
61-80 %	4	20	26
81-100 %	5	69	52
Median		5	5
Cramer's V			0.31
Mann-Whitney U Test	Z (corrected for ties)		-1.76
	p (two-tailed)		0.078

### 5.6.3 The Initiation of Contact and Communication

Finally, the managers were asked who initiated the contact and communications. According to Table 5-21, most contact and communications with government agencies were initiated by the companies. However, government agencies initiated slightly more contact and communications in non-compulsory dealings than in compulsory dealings (Cramer's  $V = 0.31$ ; Mann-Whitney U test,  $p = 0.078$ ). While 18% of the cases of non-compulsory contact were in the range of 0-40% company-initiated contact, only 3% of the cases of compulsory contact were in the same range.

The above result should be expected since in compulsory contact, companies are required by law to deal with government agencies, whereas in non-compulsory contact, government agencies may initiate the contact if for example, they want information or cooperation from a company. For instance, one manager said, "Most of the time, it is our company who contacts government agencies. Government agencies will only contact us when they need help or cooperation from us, which is a rather rare situation."

## 5.7 SATISFACTION WITHIN CONTACT

As mentioned in Chapter 1, one of the broad hypotheses that emerged from the business policy approach in the business-government relationship literature is that both business and government will more satisfied with the outcome of their interaction if each is more knowledgeable about the motives, objectives and likely behaviour of the other party.<sup>24</sup> To explore this hypothesis in the case of the institutional interaction between the government and business in Thailand, the research asked the managers about their knowledge of the government agencies they had contacted and their satisfaction or difficulty in dealing with the agencies. Later,

<sup>24</sup>Steven Globerman and Richard Schwindt, "Toward a Synthesis and Test of Hypotheses," in Murray, op.cit., p.245.

the research will examine whether there is any connection between the managers' knowledge of the agencies and their satisfaction with the dealings. However, when interpreting the results here, it should be borne in mind that the manager interviewed in each company may not be the only person responsible for the company's dealings with the government; several others such as middle-level managers can also be involved. While it cannot be denied that the experience and knowledge of government agencies of persons in the company other than the manager interviewed are also important, it is not practical to assess the knowledge and satisfaction of every person involved in a company's contact with the government.

### **5.7.1 Knowledge of Government Agencies**

According to Table 5-22, most of the managers interviewed were well informed about the government agencies they contacted. In particular, in both compulsory and non-compulsory dealings, the majority of the managers were well informed about the agencies' objectives or policies (Cramer's  $V = 0.34$ ; Mann-Whitney U test,  $p = 0.411$ ), moderately informed about their internal operations, activities or work processes ( $V = 0.24$ ;  $p = 0.852$ ), and internal organisation or structure ( $V = 0.36$ ;  $p = 0.589$ ). The result suggests that even though the managers were equally knowledgeable about the government agencies in both types of contact, they knew more about the agencies' objectives than about their internal operation and organisation. For example, one manager said, "We know about the general objectives of most government agencies... Unless we have to deal extensively with a particular government agency, its internal operation and organisation are rather irrelevant to us."



**Table 5-22: Knowledge of Government Agencies by Type of Contact**

**Question:** *How well informed were you of the following aspects of this agency?*

*a. Its objectives or policies*

*b. Its internal operations, activities, or work processes*

*c. Its internal organisation or structure*

*Use this scale for your answers.*

*1 = Not At All*

*4 = Well Informed*

*2 = Slightly Informed*

*5 = Very Well Informed*

*3 = Moderately Informed*

Aspects of the Agency	Type of Contact <sup>a</sup>		Cramer's V	Mann-Whitney U Test	
	Compulsory (N=100)	Non-Compulsory (N=23)		Z (corrected for ties)	p (2-tailed)
a. Its objectives or policies	4	4	0.34	-0.82	0.411
b. Its internal operations, activities, or work processes	3	3	0.24	-0.19	0.852
c. Its internal organisation or structure	3	3	0.36	-0.54	0.589

**Note:** <sup>a</sup> The figures shown are medians.

**Table 5-23: Knowledge of Government Agencies by Characteristics of Companies and Industries<sup>a</sup>**

Aspects of the Agency	Company's Characteristics					Industry's Characteristic			
	Size					Extent of Government Control			
	Small	Medium	Large	Thai	Joint-Venture	Foreign Subsidiary	Small	Moderate	Great
<b>Compulsory Contact</b>	(N=30)	(N=21)	(N=46)	(N=66)	(N=22)	(N=12)	(N=16)	(N=52)	(N=32)
a. Its objectives or policies	3	4	4	4	3	4	4	3	4
b. Its internal operations, activities, or work processes	3	3	4	3	3	3	3	3	4
c. Its internal organisation or structure	2	3	3	3	3	3	3	3	3
<b>Non-Compulsory Contact</b>	(N=6)	(N=3)	(N=14)	(N=18)	(N=5)	(N=0)	(N=2)	(N=8)	(N=13)
a. Its objectives or policies	+	4	4	4	4	n.a.	+	4	4
b. Its internal operations, activities, or work processes	3	3	3	3	3	n.a.	3	3	3
c. Its internal organisation or structure	3	3	4	3	3	n.a.	3	3	3

Note: a The figures shown are medians: 1 = Not At All, 2 = Slightly Informed, 3 = Moderately Informed, 4 = Well Informed, 5 = Very Well Informed.

+ Two categories are collapsed together because there are too few cases in each.

With respect to the characteristics of the companies and industries, Table 5-23 shows that, in compulsory contact, the large companies knew about the objectives, internal operations and organisation of the government agencies they had contacted better than did the small companies. The Thai and foreign companies knew more about the agencies' objectives than did the joint-venture companies. And the managers of the companies with a great extent of government control were slightly more knowledgeable about the government agencies they contacted than did those of the companies with a small extent of government control.

Table 5-23 also suggests that, in non-compulsory contact, the managers of the large companies knew more about the internal organisation of the government agencies they had contacted than did those of the small companies.

The different levels of the managers' knowledge may be explained by the different nature of the contact of companies with different characteristics. As discussed earlier (see Table 5-6), the larger or Thai companies or those in industries with a greater extent of government control contacted government agencies for the purposes of negotiating, gaining influence or asking for help more than the other types of company. Therefore, they should be expected to know more about the agencies with which they dealt than did the others.

### **5.7.2 Difficulty and Satisfaction**

The managers were finally asked how much difficulty or satisfaction they had in their dealings with the agencies. According to Table 5-24, overall, the managers said they had little difficulty and were satisfied with the relationship between their companies and the government agencies they had contacted. Specifically, however, the managers experienced more difficulty in compulsory contact than in non-compulsory contact (Cramer's  $V = 0.32$ ). That is, while most of the managers experienced little difficulty in compulsory contact, they had no difficulty at all in non-compulsory contact (Mann-



Also according to Table 5-24, the managers were more satisfied with the relationship between their companies and government agencies in non-compulsory contact than in compulsory contact (Cramer's  $V = 0.27$ ). That is, while most of the managers said that they were satisfied with the relationship in compulsory contact, they were very satisfied in non-compulsory contact (Mann-Whitney U test,  $p = 0.006$ ). Whereas the managers were very satisfied with the relationship in 61% of the cases of non-compulsory contact, they were so in only 33% of the cases of compulsory contact.

In short, the managers experienced less difficulty and had more satisfaction in non-compulsory than in compulsory interaction with the government. One of the explanations could be that whereas non-compulsory contact has more to do with matters such as asking for advice or recommendations and receiving information, compulsory contact is preoccupied with other activities such as making complaints or trying to influence the agencies (see Table 5-5). Moreover, as mentioned earlier, from the perspective of a company, while compulsory contact is disadvantage-oriented, non-compulsory contact is advantage-oriented. For instance, a company is likely to have relatively more difficulty in compulsory dealings such as getting goods through customs or seeking government permission to install a new piping system in a factory, than in non-compulsory dealings such as asking for information or joining a government trade mission abroad. In addition, the environment of non-compulsory contact like application for export credit, is likely to be more hospitable than that of compulsory contact like product standards testing.

With respect to the characteristics of companies and industries, Table 5-25 suggests that regardless of size and origin or extent of government control of the industry, the companies experienced a similar extent of difficulty and satisfaction in their contact, whether compulsory or non-compulsory, with government agencies.

**Table 5-25: Difficulty and Satisfaction within Contact by Characteristics of Companies and Industries<sup>a</sup>**

Contact Experience with the Agency	Company's Characteristics					Industry's Characteristic			
	Size					Extent of Government Control			
	Small	Medium	Large	Thai	Joint-Venture	Foreign Subsidiary	Small	Moderate	Great
<b>Compulsory Contact</b>	(N=30)	(N=21)	(N=46)	(N=66)	(N=22)	(N=12)	(N=16)	(N=52)	(N=32)
Difficulty	3	2	2	2	2	2	1	2	2
Satisfaction	3	3	3	3	3	3	3	3	3
<b>Non-Compulsory Contact</b>	(N=6)	(N=3)	(N=14)	(N=18)	(N=5)	(N=0)	(N=2)	(N=8)	(N=13)
Difficulty	1	1	1	1	1	n.a.	1	1	1
Satisfaction	4	4	4	4	4	n.a.	4	4	4

**Note:** <sup>a</sup> The figures shown are medians: for difficulty, 1 = No Difficulty, 2 = Little Difficulty, 3 = Moderate Difficulty, 4 = Great Difficulty, 5 = Very Great Difficulty; for satisfaction, 1 = Not At All, 2 = Slightly Satisfied, 3 = Satisfied, 4 = Very Satisfied, 5 = Extremely Satisfied.

+ Two categories are collapsed together because there are too few cases in each.

### 5.7.3 Correlation between Knowledge of Government Agencies and Satisfaction within Contact

The figures in Table 5-26 support the general hypothesis of the literature. According to the Table, the more knowledgeable the managers were about the government agencies they contacted, the less difficulty and more satisfaction they were likely to have in their dealing with the agencies. In addition, the Table shows that the above stated association was stronger in compulsory dealings than in non-compulsory dealings.

**Table 5-26: Correlation between Knowledge of Government Agencies and Difficulty and Satisfaction within Contact**

Compulsory Contact (N=100)				
Knowledge of the Agency	Difficulty		Satisfaction	
	Kendall Corr. Coeff. T	Sig. (two-tailed)	Kendall Corr. Coeff. T	Sig. (two-tailed)
Objective	-0.28	0.002	0.27	0.002
Operation	-0.30	0.001	0.40	0.000
Structure	-0.36	0.000	0.34	0.000
Non-Compulsory Contact (N=23)				
Knowledge of the Agency	Difficulty		Satisfaction	
	Kendall Corr. Coeff. T	Sig. (two-tailed)	Kendall Corr. Coeff. T	Sig. (two-tailed)
Objective	0.31	0.110	0.30	0.133
Operation	0.00	0.000	0.39	0.050
Structure	0.14	0.481	0.10	0.619

Table 5-26 indicates that, in compulsory contact, a manager had less difficulty in dealing with a government agency if he knew more about the agency's objectives or policies (Kendall correlation coefficient  $T = -0.28$ ,  $p = 0.002$ ), internal operations or activities ( $T = -0.30$ ,  $p = 0.001$ ), and internal structure or organisation ( $T = -0.36$ ,  $p = 0.000$ ). Similarly, a manager was more satisfied with his company's relationship

with a government agency if he was better informed about the agency's objectives or policies ( $T = 0.27$ ,  $p = 0.002$ ), internal operations or activities ( $T = 0.40$ ,  $p = 0.000$ ), and internal structure or organisation ( $T = 0.34$ ,  $p = 0.000$ ).

In non-compulsory contact, the association between a manager's knowledge of a government agency and his experience of difficulty and satisfaction was relatively less strong. While the manager who knew more about the objectives or policies of a government agency experienced less difficulty in his contact with it (Kendall correlation coefficient  $T = -0.31$ ,  $p = 0.110$ ), there was little association between his experience of difficulty and his knowledge of the agency's internal operations or activities ( $T = 0.00$ ,  $p = 0.000$ ), and internal structure or organisation ( $T = 0.14$ ,  $p = 0.481$ ). Similarly, a manager was more satisfied with the relationship between his company and a government agency if he was better informed about its objectives or policies (Kendall correlation coefficient  $T = 0.30$ ,  $p = 0.133$ ) and internal operations or activities ( $T = 0.39$ ,  $p = 0.050$ ). However, there was only a weak association between a manager's satisfaction of the relationship with the agency and his knowledge of the agency's internal structure or organisation ( $T = 0.10$ ,  $p = 0.619$ ).

The finding that the association between a manager's knowledge of a government agency and his experience of difficulty or satisfaction in the interaction with it was stronger in the compulsory dealings than in the non-compulsory dealings, could be because in non-compulsory contact, managers are often guaranteed a positive outcome, whereas in compulsory contact, they have to work for satisfactory results. For example, some of the companies interviewed which were trying to claim money back from the Revenue Department on the basis that they had been taxed twice, had to spend a considerable amount of effort and time to obtain their rebates; it was likely that the companies which had more information about the organisation or the decision-makers of the Department would be more successful in the task. On the other hand, in non-compulsory dealings such as asking the Fisheries Department for the forecast amount of fish likely to be caught next year, most companies would usually be satisfied to get the information wanted, even though some companies may



have known more about the Department better than others.

In addition, the managers who knew more about a government agency's objectives, internal activities or organisation may have better understood its capabilities as well as its limitations. Thus, they may have been satisfied with contact outcomes which would have otherwise appeared less than satisfactory to those who were not aware of the agency's limitations. For example, one manager said, "Overall dealings made with government agencies are slow and time-consuming... But we understand that that's the way bureaucracy is."

#### 5.7.4 Correlation between Personnel Links and Satisfaction within Contact

Referring to the personnel links in the companies' contact with government agencies discussed earlier, the research further examines whether there is any association between them and the difficulty or satisfactory experienced by the managers.

**Table 5-27: Correlation between Acquaintance with Contact Officials and Difficulty and Satisfaction within Contact**

Compulsory Contact (N=100)				
Personnel Link	Difficulty		Satisfaction	
	Kendall Corr. Coeff. T	Sig. (two-tailed)	Kendall Corr. Coeff. T	Sig. (two-tailed)
Number	-0.06	0.469	0.15	0.070
Acquaintance	-0.35	0.000	0.42	0.000
Non-Compulsory Contact (N=23)				
Personnel Link	Difficulty		Satisfaction	
	Kendall Corr. Coeff. T	Sig. (two-tailed)	Kendall Corr. Coeff. T	Sig. (two-tailed)
Number	-0.10	0.567	0.36	0.048
Acquaintance	0.10	0.607	0.18	0.375

According to Table 5-27, personal acquaintance helped reduce difficulty and improved satisfaction in contact with government agencies. The companies' or the managers' acquaintance with the contact officials helped decrease difficulty (Kendall correlation coefficient  $T = -0.35$ ,  $p = 0.000$ ) and increase satisfaction within compulsory contact ( $T = 0.42$ ,  $p = 0.000$ ), although the number of contact government officials had little significance in the relationship. However, in non-compulsory contact, there was a rather weak association between the personnel links and the difficulty and satisfaction experienced by the managers.

The finding that personal acquaintance played a more important role in compulsory contact than in non-compulsory contact may be explained by reasons similar to those in the association between the managers' knowledge of the agencies and their experience of difficulty or satisfaction within contact. That is, greater personal acquaintance brings more help from contact government officials. While the helpfulness of government officials can make managers more satisfied with the outcome of non-compulsory dealings, it may account for the difference between satisfactory and unsatisfactory results in compulsory ones.

## 5.8 SUMMARY

In this chapter, the interactional approach has strengthened several weaknesses of the existing literature on the business-government relationship. In particular, the findings showed that government and business relations are by no mean homogeneous but varied. The interactional approach has demonstrated that the nature of the relations depends on, among other things, the types of contact, such as compulsory and non-compulsory dealings, as well as on the characteristics of the companies involved in the relations, such as size, origin, and the extent of government control in the industry. The analysis suggested that from the standpoint of a company, non-compulsory dealings with government agencies are advantage-oriented, while compulsory dealings are disadvantage-oriented. That is, a company will try to gain

the most in non-compulsory contact but to lose the least in compulsory contact. This finding generally forms the underlying explanation for other differences in the two types of contact: the basis of contact, influence and patterns of communication within contact, and satisfaction with the contact relationship. In addition, the size and origin of a company and the extent of government control in its industry also play an important part in shaping the relationship. Generally, large or Thai companies or those in industries with a great extent of government control have more extensive, varied and superior connections with government agencies than small or foreign companies or those in industries with a small extent of government control in terms of the basis of contact, influence, and personal and personnel links.

## **Chapter 6**

### **Policy Interaction Between Government and Business**

- 6.1 Introduction**
- 6.2 The Basis of Business Efforts to Influence Government Economic Policy**
- 6.3 Criteria Used by Firms in Deciding Whether an Economic Policy Is in Their Interests**
- 6.4 Policy Cooperation between Government and Business**
- 6.5 The Reaction of Firms to an Economic Policy Which Is Not in Their Interests: The Ex Post Facto Mode**
- 6.6 Success of the Reaction**
- 6.7 Summary**

**CHAPTER 6**  
**POLICY INTERACTION**  
**BETWEEN GOVERNMENT AND BUSINESS**

**6.1 INTRODUCTION**

Following the previous chapter which analysed institutional interaction between government and business, this chapter will examine policy interaction between the two sides. It will concentrate on influence and means of influence within the interpenetration between government economic policy and business policy. In particular, this chapter will identify the basis of the effort of business to influence government economic policy. How are current government economic policies affecting manufacturing companies in Thailand? And what are the criteria they use in distinguishing whether or not a government economic policy is in their interests? The chapter will also look at how companies react to a policy which they find is not in their favour (the *ex post facto* mode of policy interaction). The comparison of the effort to influence a government economic policy when it affects a company as an individual and when it affects the industry as whole will form the basis of the analysis. In addition, as in the previous chapter, comparisons of policy interaction between the government and companies of different characteristics -size and origin and the extent of government control in the industry- are also made.

**6.2 THE BASIS OF BUSINESS EFFORTS**  
**TO INFLUENCE GOVERNMENT ECONOMIC POLICY**

As mentioned in Chapter 1, corporate political strategy is one of the major current

research areas in government and business relations. In surveying the American literature on business and politics, Epstein classified modern writing on the topic into five categories: first, efforts to model the relationship of firms with the political order; second, studies of the effects of external political influences upon business political behaviour; third, examinations of intra-corporate relationships in political terms; fourth, examinations of the political ideologies of the American business elite; and fifth, studies of business involvement in the electoral political process.<sup>1</sup> Often, the literature seems to take for granted the reasons for firms' efforts to influence public policy, in the analysis of the political behaviour and effectiveness of business and its consequent impact.<sup>2</sup> For instance, trying to relate the economic and industrial structure to the political performance of firms, Salamon and Siegfried have paid little attention to the different bases of the political activities of firms of different characteristics.<sup>3</sup> This research does not deny that such variables as firm size, industry size, market concentration within the industry, profit rates, or the degree of geographical dispersion play an important part in the model of business political behaviour. On the contrary, while recognizing these variables, the research wishes to highlight the non-homogeneous influence of the government on various business decisions within a company as well as among companies, which should be taken into account in the explanation of firms' government-related activities. Even though recent writers of industrial policy like Zukin stressed the role of government intervention as shown in Figure 6-1, she did not bring out the gradient of the impact of government economic policy on various business decisions. To strengthen this weakness in the

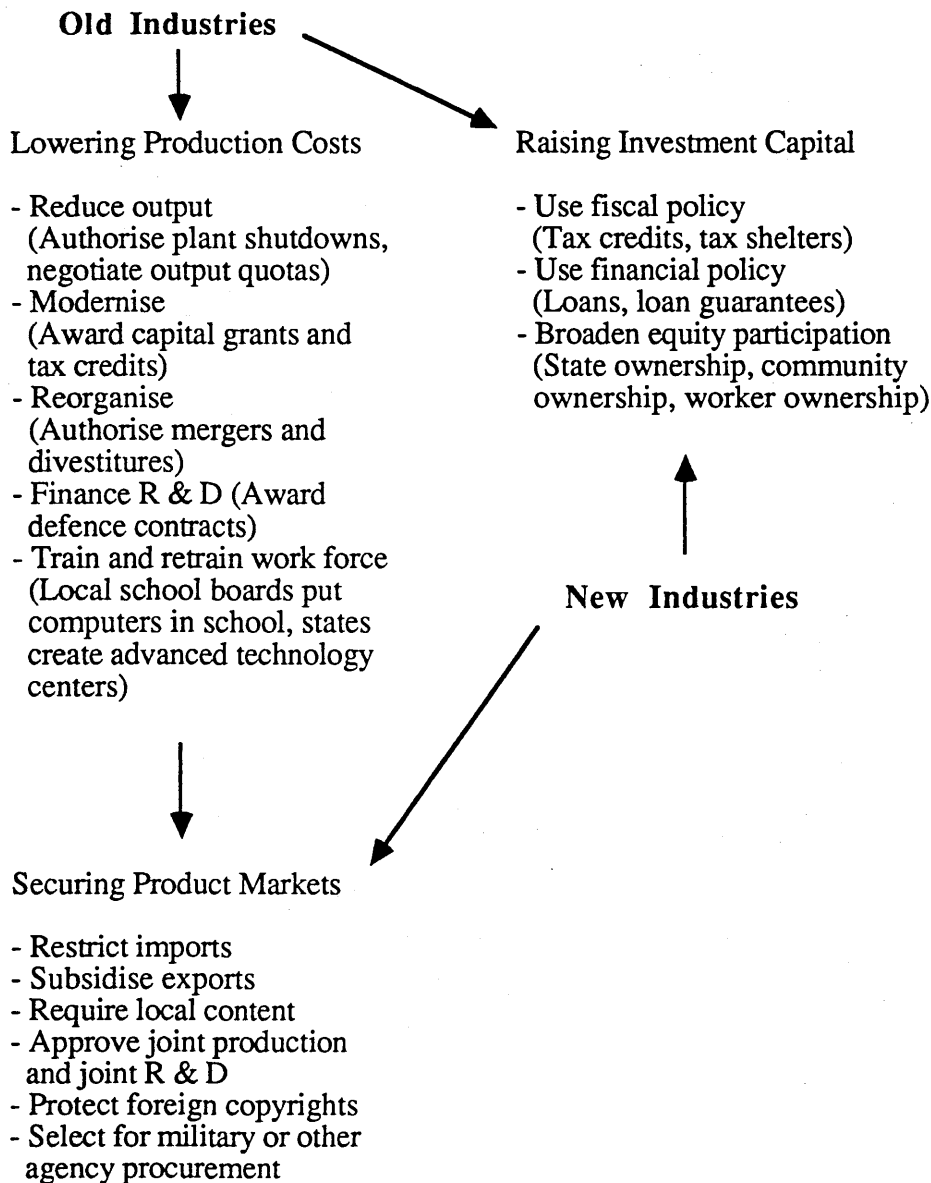
<sup>1</sup>Edwin M Epstein, "Business Political Activity: Research Approach and Analytical Issues," in Lee E. Preston, editor, *Research in Corporate Social Performance and Policy*, Vol.2 (Greenwich: JAI Press, 1980), p.6.

<sup>2</sup>See, for example, J. J. Pincus, "Pressure Groups and Patterns of Tariffs," *Journal of Political Economy*, Vol.83, No.4 (1975), pp.457-778; Russel Pittman, "Market Structure and Campaign Contribution," *Public Choice*, Vol.31 (Fall, 1977), pp.37-58; and David B. Yoffie, "How an Industry Build Political Advantage," *Havard Business Review* (May-June, 1988), pp.82-89.

<sup>3</sup>Lester M. Salamon and John J. Siegfried, "Economic Power and Political Influence: The Impact of Industry Structure on Public Policy," *American Political Science Review*, Vol.71, No.3 (1977), pp.1026-1043.

literature, this research will investigate government influence on company decisions, which forms the basis of the effort of business to influence government economic policy.

**Figure 6-1: The Government's Central Role in Business Strategy**

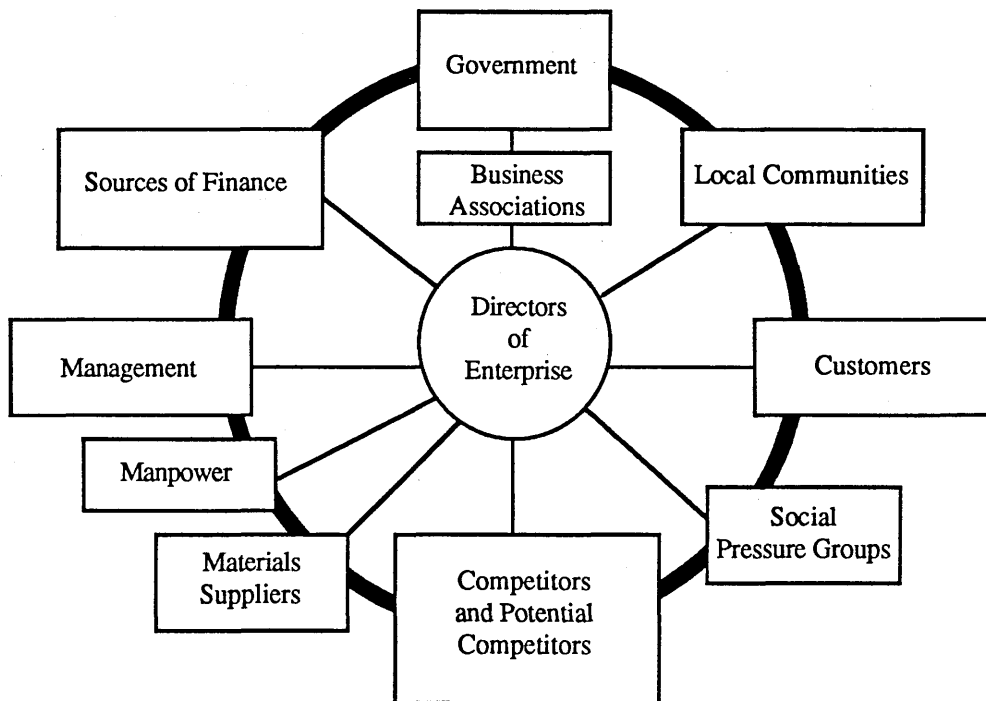


Source: From Sharon Zukin, "Industrial Policy as Post-Keynesian Politics: Basic Assumptions in the United States and France," in her *Industrial Policy: Business and Politics in the United States and France* (New York: Praeger, 1985), Figure 1.2.

### 6.2.1 The Government of Business

Before discussing the influence of government economic policy upon company decisions, the research will look first at how important the government is to companies, compared to other external factors such as business competitors and customers.

**Figure 6-2: Forces Affecting Enterprise Management**



Sources: Adapted from R.E. Thomas, *The Government of Business* (Oxford: Philip Allan, 1981), Figure 1.1, p.23.

In his book *The Government of Business*, Thomas depicted a firm as part of a wider economic and socio-political system, as shown in Figure 6-2. On the left-hand side of the figure are the inputs into the firm, and on the right-hand side are the users of the output and the wider community represented ultimately by the government. He then referred to the three basic models for the behaviour of business directors in relation to external factors: the profit maximisation, stakeholder, and Marxist



approaches.<sup>4</sup> The details of each approach do not concern this analysis. The relevance of his concept is that it provides a framework for this research in assessing the importance of the government against other external factors.

Table 6-1 shows that most of the companies ranked the government after such external factors as customers and competitors but before the political climate and the money market (Kendall coefficient of concordance  $W = 0.24$ ,  $p = 0.000$ ).

The Table also shows that the large companies rated the government higher than did the small companies, although both regarded customers and competitors as the two most important external factors. One of the explanations for this could be that because of the nature and larger scale of their interests, larger companies are involved more with the government. The government is also likely to pay more attention to what big businesses do because of their size and their impact on the wider society. In addition, the reason that the money market is relatively more important than the government to smaller companies may be that their financial status is comparatively less stable than that of larger companies, making them more sensitive to changes like, for example, the increase in interest rates on the money market.

According to the Table, different types of company ranked the external factors rather differently. The Thai companies ranked the government after the customers and competitors, the joint-venture companies ranked the government immediately after the customers, and the foreign subsidiaries ranked the government last, equal with the political situation. A possible explanation could be that joint-ventures companies usually receive industrial incentives from the government (specifically from the Office of the Board of Investment).

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<sup>4</sup>J. Child, *The Business Enterprise in Modern Industrial Society*, (Collier MacMillan, 1969), Chapter 6, as quoted by R. E. Thomas, *The Government of Business*, 2nd edition (Oxford: Philip Allan, 1981), p.23.

**Table 6-1: Ranking of Major Environmental Factors of Companies**

**Question:** *Please rank these external factors according to their importance to your company.*

- a. Political climate*
- b. Your competitors*
- c. The government*
- d. The money market*
- e. Your customers*

External Factors	Company's Characteristics <sup>b</sup>										Industry's Characteristic <sup>c</sup>			
	Size					Type					Extent of Government Control			
	All Firms <sup>a</sup> (N=41)	Small (N=12)	Medium (N=8)	Large (N=20)	Thai (N=28)	Joint-Venture (N=9)	Foreign Subsidiary (N=4)	Small (N=6)	Moderate (N=20)	Great (N=15)				
Your customers	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Your competitors	2	2	2	2	2	4	2	2	2	2	2	2	2	5
The government	3	4	3	3	3	2	4	3	3	3	4	3	3	2
Political climate	4	5	4	4	4	4	4	5	5	4	4	5	5	3
The money market	5	3	5	5	5	3	3	4	4	4	3	4	4	4
<b>Kendall Correlation</b>														
Coefficient W	0.24	0.49	0.27	0.17	0.27	0.11	0.80	0.52	0.44	0.18				
X <sup>2</sup> (DF=4)	38.99	23.53	8.60	13.56	30.34	3.82	12.80	12.40	35.42	10.99				
Probability	0.000	0.000	0.072	0.009	0.000	0.431	0.012	0.015	0.000	0.027				

**Note:** a, b, c The figures shown are the ranking of the average rank of each factor.

Moreover, the finding that the money market was relatively less important to the Thai companies than to the joint-venture or foreign companies may be the result of the fact that several joint-venture companies manufacture products for export, and foreign subsidiaries have to repatriate their income to their parent companies abroad, which makes the latter two types of company more concerned than Thai companies about changes such as fluctuations in the exchange rate on the money market. The Table also shows that the joint-venture companies were less concerned about their competitors than other types of companies. This is plausible since several of them were established because initially there were too few companies in that particular industry. For example, the government, as part of its industrial policy, may invite foreign investors to form joint-venture projects with local companies in import-substitution or export-oriented industries.<sup>5</sup> One manager of a government-promoted company said, "In fact, it can be said that we are in this industry (sanitary fittings) partly because there is little competition in it."

Finally, according to Table 6-1, the government was more important to the companies in industries with a greater extent of government control. The finding is self-explanatory. However, it should be noted that one external factor, competitors, was ranked last by the companies in industries with a great extent of government control. This is likely because such industries are often characterised by a concentrated or monopolistic structure of competition.

Nevertheless, the companies' ranking of external factors should not be taken as static: the priority or attention given by a company to external factors can change over time. As one manager of a foreign subsidiary said, "It also depends on which period you are talking about... Two years ago when there was a general election, the political situation was rather volatile and consequently received more attention than now."

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<sup>5</sup>The Board of Investment, *Rai Ngarn Prajumpee 2530* (Annual Report 1987), p.9.

### 6.2.2 The Extent of Government Influence on Company Decisions

Whereas the previous chapter, concentrating on institutional interaction, studied the influence of government agencies on companies; this chapter, emphasising policy interaction, examines the influence of government economic policy on companies.

**Table: 6-2: The Extent of Government Influence on Company Decisions<sup>a</sup>**

Company Decisions	Government Influence (N=41)
<b>General</b>	3
<b>Specific</b>	
1) Pricing decisions	3
2) Decisions to decrease or increase production capacity	3
3) Salary and wage decisions	3
4) Output level decisions	3
5) Manpower decisions	2
6) Decisions to enter new markets abroad	2
7) Decisions to enter new markets within Thailand	1
8) Decisions to develop or launch new products or services	1
9) Decisions to abandon existing products or services	1
10) Decisions to employ new technology	1
11) Sales promotion decisions	1
12) Product or service distribution decisions	1

Note: <sup>a</sup> The figures shown are medians.

According to Table 6-2, in general, the managers said that the Thai government's economic policy had some influence on their companies' business decision-making. Specifically, they said that government economic policy had a moderate influence on their pricing decisions, decisions to decrease or increase

production capacity, salary and wage decisions, and output level decisions, although it was said to have little influence on their decisions to enter new markets abroad and manpower decisions. On such decisions as entering new markets within Thailand, developing or launching new products or services, abandoning existing products or services, and employing new technology, government economic policy was mainly said to have no influence. It also was said to have no influence over company decisions on sales promotion and product or service distribution.

The pattern of policy interaction or the influence of government economic policy on company decisions above apparently matches with the pattern of the institutional interaction or company dealings with government agencies discussed at the beginning of the previous chapter. That is, as the Internal Trade Department, the Office of the Board of Investment, the Industrial Works Department, and the Labour Department were the government agencies most often dealt with by the companies, so pricing, production and wage decisions represented the areas of business policy most sensitive to government economic policy.

The Internal Trade Department is primarily responsible for the demand and supply of goods in the country and for business competition. Therefore, it has a direct impact on company pricing decisions. Several of the managers interviewed indicated that they had to seek permission for changes in the prices of their products or reported them to the Internal Trade Department. However, as already shown in the discussion of the ideological context in Chapter 3, most managers were against this government influence. For example, one manager said, "This is the major annoyance from the government which often causes trouble to our company."

The policies of the Office of the Board of Investment and the Industrial Works Department concentrate, sometimes in coordination, on the production activities of companies. For instance, according to the managers interviewed, before granting promotional privileges or giving a factory operation licence or production expansion permission to a company, these two government agencies normally consider the

existing production capacity or output level in the industry in order to avoid excessive competition. In addition, one manager said, "The government not only controls the increase in production capacity, it also controls the decrease in production capacity. This is because it is afraid that some companies might collude to create a shortage of supply in order to increase prices. So, often our company is required to report our stock and output to the government."

Salary and wage decisions are influenced by the Labour Department, which implements the minimum wage regulations.

When the influence of government economic policy on company decisions is looked at in terms of business functions, it can be seen from Table 6-2 that government economic policy had a moderate influence on the companies' manufacturing function but had little influence on their decisions on research and development activities. This may be because some companies rarely invest in or pay little attention to product research and development but prefer to buy or import technology from abroad. In addition, the research found that several companies held the view that with regard to new technology, the government was of little help to them. As one manager of a motor-cycle manufacturing company said, "Our production technology is rather specific and specialised... The government understands little about our technology."

On the other hand, the Table shows that, apart from pricing decisions, government economic policy had little influence on other decisions within the companies' marketing function, such as decisions on entering new markets, sales promotion, and product distribution. Most managers interviewed indicated that buyers or customers were more important in such decisions. For example, one marketing manager said, "The government has little to do with the way we sell our products. Customers and competitors come first in this sort of decision."

The above findings bear some similarity to findings on government influence on companies in some advanced industrial countries. For example, in a survey in Canada, most managers said that the government had a rather big influence on their

companies' finance and accounting control, a moderate influence on marketing, production and personnel and labour relations, and little influence on engineering and research and development.<sup>6</sup>

### **6.2.3 The Variation of Government Influence with Characteristics of Companies and Industries**

The pattern of the influence of government economic policy on business decisions varied considerably with the characteristics of companies and industries. Table 6-3 suggests that the decision-making of the large companies was generally more influenced by government economic policy than that of the small companies. This should be expected for the reasons discussed earlier when the government was ranked according to its importance against other external factors. Specifically, the decisions of the large companies on pricing, manpower and production capacity were more susceptible to government economic policy than those of the small companies. One manager of a major animal-feed manufacturing company said, "Whenever there is trouble in the industry the government will look at the bigger companies, either for the cause of the problems or for the solutions."

However, the wage and output level decisions of the medium-sized companies were more influenced by government economic policy than those of the others. This could be because several medium-sized companies are in the import-substitution industry, which is often characterised by labour-intensive production. The same explanation may also be applied to the finding that the medium-sized companies' decisions to enter new markets abroad were only slightly influenced by government economic policy since their products are mostly sold within the country.

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<sup>6</sup>Donald H. Thain and Mark Baetz, "Increasing Trouble Ahead for Business-Government Relations in Canada?" *Business Quarterly*, Vol.44, No.2 (Summer, 1979), p.59. His sample consisted of top or middle-level managers from a wide variety of economic sectors, but predominantly manufacturing.

**Table 6-3: The Extent of Government Influence by Characteristics of Companies and Industries<sup>a</sup>**

Company Decision	Company's Characteristics					Industry's Characteristic			
	Size			Type		Extent of Government Control			
	Small (N=12)	Medium (N=8)	Large (N=20)	Thai (N=28)	Joint- Venture (N=9)	Foreign Subsidiary (N=4)	Small (N=6)	Moderate (N=20)	Great (N=15)
<b>General</b>	2	3	3	3	2	2	2	3	3
<b>Specific</b>									
1) Pricing	1	3	3	3	3	3	2	3	4
2) Production capacity	2	3	3	3	3	1	1	3	3
3) Wage	3	4	3	2	3	4	3	3	3
4) Output level	2	3	2	3	3	2	1	2	3
5) Manpower	1	2	2	2	1	2	1	2	2
6) Entry into new markets abroad	2	1	2	2	2	1	1	2	2
7) Entry into new markets within Thailand	1	1	1	1	1	2	2	1	1
8) Development of new products	1	1	1	1	1	1	1	1	1
9) Abandonment of existing products	1	1	1	1	1	1	1	1	1
10) Employment of new technology	1	1	1	1	1	1	1	1	1
11) Sales promotion	1	1	1	1	1	1	1	1	1
12) Product distribution	1	1	1	1	1	1	1	1	1

Note: <sup>a</sup> The figures shown are medians: 1 = No Influence, 2 = Little Influence, 3 = Moderate Influence, 4 = Great Influence, 5 = Very Great Influence.



Table 6-3 also indicates that the Thai companies were generally more susceptible to government economic policy than the others. In particular, the Thai and joint-venture companies' decisions on entering new markets abroad, production capacity, or output level were more influenced by government economic policy than those of the foreign subsidiaries. This, again, may be partly explained by the reason discussed earlier when the former two types of company ranked the government higher against other external factors than did the latter. That is, several joint-venture companies receive industrial incentives from the government because they mostly manufacture products intended for export. However, the foreign subsidiaries' wage decisions were more susceptible to government economic policy than those of the others.

Finally, Table 6-3 also shows that the decision-making of the companies in industries with a greater extent of government control was more influenced by government economic policy. Specifically, their pricing decisions, decisions to enter new markets abroad, manpower decisions, production capacity and output level decisions were comparatively more susceptible to government economic policy than those of the companies in industries with a small extent of government control.

### **6.3 CRITERIA USED BY FIRMS IN DECIDING WHETHER AN ECONOMIC POLICY IS IN THEIR INTERESTS**

Arguing against some writers who claimed that the American business community had undergone a remarkable ideological transformation and formed a new partnership with the government,<sup>7</sup> David Vogel stated that the American corporate executives' hostility or distrust toward government officials still persisted.<sup>8</sup> However, he accepted that while granting both the sincerity and persistence of executives' beliefs,

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<sup>7</sup>See, for example, Levitt Theodore, "The Johnson Treatment," *Harvard Business Review*, Vol.45, No.1 (January, 1967), p.114; and John Kenneth Galbraith, *The New Industrial State* (Boston: Houghton Mifflin, 1967), p.314.

<sup>8</sup>David Vogel, "The Persistence of the American Business Creed," in Preston, op.cit., p.79.

one could still be sceptical of the degree to which they reflect corporate behaviour. He quoted V.O. Key, Jr. as contending:

"Despite the extraordinary diversity of their political actions, business spokesmen expound more or less uniformly a philosophy of laissez-faire: free competition, free enterprise, and the 'American Way.' But this is an orthodoxy of ritual rather than of practice. In their actions businessmen pragmatically advocate state intervention today and non-intervention tomorrow."<sup>9</sup>

This discrepancy between ideology and practice and the inconsistency within the ideology itself is also reflected in the views of the managers interviewed in this research as discussed earlier in Chapters 3 and 4. For example, a manager who supports the principle of a free market economy may, at the same, be in favour of government protection of local industry. However, what concerns this research here is not the inconsistency or double standards of business executives but their judgement of a good or bad government economic policy. As Vogel put it:

"Executives do, in fact, support governmental policies that they perceive to be in their interest and oppose those that are not; in any event, to do otherwise would be rather bizarre. Yet, by collapsing the distance between the interests of business executives and their perceptions of the impact of governmental policies, this statement begs the issue: in terms of what criterion do executives decide whether governmental agencies are in their interest?"<sup>10</sup>

In an attempt to answer the question raised above by Vogel, this research asked the managers to name the three most important government economic policies which have had a good effect on their companies and another three which have had a bad effect. Then it inferred from the policies mentioned, some of the criteria used by the managers in distinguishing between good and bad government economic policies

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<sup>9</sup>V.O. Key, Jr., *Politics, Parties and Pressure Groups* (New York: Thomas Crowell, 1962), p.77, as quoted in Vogel, *op.cit.*, p.81.

<sup>10</sup>Vogel, *op.cit.*, p.81.

with regard to their interests.

### 6.3.1 A Good Government Economic Policy

According to Table 6-4, the two government economic policies which were most popular among the managers were investment (28%) and export promotion (13%).

**Table 6-4: Government Policies or Regulations Mentioned by Managers as Having Had a Good Effect on Their Companies**

Government Economic Policy	Frequency (N=107)
Investment promotion such as various tax concessions for a certain period, reduction or exemption from import duties on imported machines used in investment or from business taxes, etc.	28 %
Export promotion such as export tariff concessions or exemptions, foreign trade exhibitions, market information, etc.	13
Protecting domestic industries by such measures as tariffs and quotas	12
Government consultation of private sector opinion, for example, in the form of joint committees or the informal consideration of business policy-suggestions	9
Rationalisation of important government economic departments by, for example, cutting down procedures and shortening the processing time of each procedure	8
Others	29
<p><b>Note:</b>     <sup>a</sup> By responding to this question, each company generated 3 cases (3 government economic policies). However, some companies did not manage to name as many as 3 government economic policies.</p>	

According to the Investment Promotion Act B.E. 2520 (1977), companies

receiving privileges from the Office of the Board of Investment are exempt from corporate income tax on net profits for a period of between 3 and 8 years.<sup>11</sup> Some reduction and/or exemption from import duties and business taxes on imported machines or raw materials is also granted to them subject to the approval of the Board of Investment.<sup>12</sup> With regard to production for the purpose of export, companies are exempt from import duties and business taxes on raw materials imported to produce, mix with or become components of exported products.<sup>13</sup> In addition, the exported products are also exempt from export duties and business taxes.<sup>14</sup>

Following investment and export promotion, the government policies of protecting domestic industries (12%), of consulting with the private sector during the policy-making process (9%), and of rationalising and cutting down of bureaucratic procedures (8%) were also popular among the managers. The protection measures used by the government, mentioned by the managers, ranged from a complete ban to the imposition of tariffs or quotas on imported products. Examples of the government policy of consulting with the private sector on important economic issues mentioned by the managers were the discussions and negotiations within the Joint Public and Private Consultative Committee (for more details of the JPPCC, see Appendix D) and other joint committees consisting of public administrators and private managers in several other government departments. And the policy of rationalising government bureaucracy such as the cutting down of procedures within contact with the Customs Department, the Industrial Works Department and a few other economic departments was most appreciated by the managers as facilitating their business operations.

Other government economic policies welcomed by the managers included, for example, the promotion of farming education, the stabilisation of the value of the baht, the reduction of personal income tax, and efforts to stop wars in the Indo-China region.

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<sup>11</sup>Investment Promotion Act B.E. 2520, section 31-32.

<sup>12</sup>Ibid., section 28-30.

<sup>13</sup>Ibid., section 36.

<sup>14</sup>Loc.cit.

**Table 6-5: The Good Effect of Government Economic Policies**

**Question:** *How good was the effect of this policy?*

*Use this scale for your answer.*

1 = Not At All

2 = Slightly Good

4 = Very Good

5 = Extremely Good

3 = Good

Policy Impact	Rating Value	Specific Government Economic Policies							Others (N=31)
		All Policies (N=107)	Investment Promotion (N=30)	Export Promotion (N=14)	Domestic Industry Protection (N=13)	Public and Private Consultation (N=10)	Bureaucracy Rationalisation (N=9)		
Not At All	1	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %
Slightly Good	2	2	0	7	0	10	0	0	0
Good	3	14	10	7	0	10	11	11	29
Very Good	4	52	53	36	39	50	67	67	61
Extremely Good	5	32	37	50	62	30	22	22	10
Median		4	4	4	5	4	4	4	4

**Table 6-6: Good Government Economic Policies by Characteristics of Companies and Industries**

Government Policy	Company's Characteristics					Industry's Characteristic							
	Size					Type				Extent of Government Control			
	Small (N=30)	Medium (N=20)	Large (N=54)	Thai (N=73)	Joint- Venture (N=24)	Foreign Subsidiary (N=10)	Small (N=14)	Moderate (N=53)	Great (N=40)				
Investment promotion	27 %	30 %	28 %	23 %	38 %	40 %	50 %	25 %	25 %				
Export promotion	27	5	7	14	17	0	14	13	13				
Domestic industry protection	10	15	13	11	13	20	7	15	10				
Public and private consultation	10	5	11	11	8	0	7	8	13				
Bureaucracy rationalisation	7	15	7	11	0	10	14	8	8				
Others	20	30	33	30	25	30	7	32	33				

When asked about the benefits of the policies, the majority of the managers said that they had a very good effect on their companies. According to Table 6-5, while the policy of protecting domestic industry was rated by the managers as having an extremely good effect on their companies, other government policies were rated as having very good effect.

Table 6-6 indicates that while the companies, regardless of size, equally liked the investment promotion policy, the small companies welcomed the export promotion policy more than the others did. In addition, whereas the policy of protecting domestic industry was equally welcomed by the companies, regardless of size, the rationalisation of bureaucracy was mentioned more frequently by the medium-sized companies more than by the others. But the policy of public and private consultation was more popular among the small and large companies than among the medium-sized ones.

Table 6-6 also shows that while the policies of investment promotion and domestic industry protection were more popular among the foreign subsidiaries than among the Thai companies, the policies of export promotion and public and private consultation were mentioned by the managers of Thai and joint-venture companies only. However, the joint-venture companies did not mention the policy of bureaucracy rationalisation at all.

Finally, while the policy of public and private consultation was liked more by the companies in industries with a great extent of government control than by the others, the policies of investment promotion and bureaucracy rationalisation were more popular among the companies in industries with a small extent of government control than among the others.

### **6.3.2 A Bad Government Economic Policy**

Table 6-7 indicates that the two most unpopular government policies mentioned by the managers were concerned with the complicated, lengthy, outdated bureaucratic

procedures still present in certain government economic departments and the uncertain and ambiguous nature of government economic policies and regulations.

**Table 6-7: Government Policies or Regulations Mentioned by Managers as Having Had a Bad Effect on Their Companies**

Question:	<i>Could you briefly and clearly describe the three most important government economic policies, regulations or the like which have had a bad effect on your company during the past 12 months?<sup>a</sup></i>	Frequency (N=101)
Government Economic Policy		
Complicated, lengthy, out-dated bureaucratic procedures present in certain government economic departments		24 %
The uncertain and ambiguous natures of government economic policies and regulations such as taxation or import or export control		15
The control of the price of certain products		13
The lack of infrastructure facilities such as electricity, water, communication, transportation, etc.		7
The lack of development of government personnel such as low motivation to work, inappropriate attitudes, etc.		4
The lifting of bans on certain goods or of trade barriers such as import tariffs, quotas, etc.		3
Others		35
Note: <sup>a</sup> By responding to this question, each company generated 3 cases (3 government economic policies). However, some companies did not manage to name as many as 3 government economic policies.		

About 24% of all the policies named by the managers as having had a bad effect on their companies were concerned with the multiplicity of business laws and regulations and the embodiment of unnecessarily long and time-consuming procedures in them. The laws and regulations mentioned involved various steps in business undertakings ranging from import through production to export. In another 15% of the policies perceived as having had a bad effect on the companies, the



managers said that they found it difficult to understand or interpret the description of several business laws and regulations as well as when one law, instead of another, was to be applied. Some of the managers interviewed even said that their companies hired a special company, usually in the shipping industry, to take care of their dealings with the Customs Department in order to save time, or for fear of misinterpreting the regulations and laws governing export and import. For instance, one manager said, "All of our dealings with the Customs Department are contracted out to a shipping company... These companies (in the shipping industry) know about the procedures for export and import documentation very well. They also have special connections with the 'insiders.' Some of them have developed a kind of code with officials so that when the code is identified their papers and documents get through quickly."

The problem faced by the managers concerning the complicated and ambiguous nature of business laws and regulations, either in the form of acts or decrees, was further compounded by the power of ministers to make rules and notifications which have effects as legally binding as those laws or regulations made in the parliament. As one manager said, "The matters get worse when ministerial rules or notifications are announced. These rules and notifications can come out with little notice. They prevent our company from making long-term plans and lead to short-term problem solving. This is because while a draft bill spends months or even years being debated in the parliament, ministerial rules and notifications take a few weeks to be thought out by ministers. Consequently, businesses are given little time to adapt to the changes." The same managers said further, "Sometimes you cannot blame some civil servants for being corrupt or not diligent because the nature of laws and regulations governing business activities themselves create a situation in-built with obstacles and conducive to corruption. For instance, if a businessman thinks he is at risk of losing an order by going through all the bureaucratic procedures, he might be willing to buy time and writes that down as part of his costs."

The policy of price control was also unpopular among the managers. According to Table 6-7, about 13% of the policies perceived by the managers as having had a bad effect on their companies were concerned with the government's price fixing or minimum-maximum price regulation. The lack of a proper government policy on and investment in infrastructure facilities such as electricity, water, communication or transportation, and government personnel problems such as low motivation to work or inappropriate attitudes were also said as having had a negative effect on the companies. The low level of government investment in infrastructure facilities is likely to be one of the reasons why some managers preferred the privatisation of public enterprises as discussed in Chapter 3. Finally, Table 6-7 also indicates that the lifting of bans or import tariffs and quotas on certain goods was not welcomed by the managers.

Other aspects of government operation perceived by the managers as having a negative effect on their companies included, for example, control of factory waste disposal, corruption, lack of business information, inflation, and high business taxes.

In general, the policies perceived by the managers as bad, as discussed above, bear some similarity to the problems faced by businessmen in the past. In his survey in 1978, Sawaeng Sanguanrueng found that about 17% of the problems mentioned by the managers in connection with government and business relations in Thailand concerned corruption, 15% concerned the time-consuming nature of dealings with government agencies due to the lack of coordination between government departments, 13% concerned the uncertain characteristic of government economic policies due to the frequent changes of government, and 7% concerned the lack of basic public services which facilitate business operations.<sup>15</sup>

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<sup>15</sup>Sawang Sanguanrueng, "Karn Gumnod Roopbap Pua Num Pai Sue Kwam Sampan Nai Karn Sangsan Rawang Pak Rataban Lae Pak Ekachon" (Towards Creative Relations between Government and Business), in Samakom Karn Jatkarn Turakij Hang Prathet Thai (Thai Management Association), *Ekasarn Tang Wichakarn Prakob Karn Prachum Karn Borihan Pak Rataban Lae Pak Ekachon Nai Prathet Thai* (The Papers of the Conference on the Public Administration and Private Management in Thailand) (Bangkok: Amarin Press, 1978), p.77. His sample consisted of the managers who were the members of the Thai Management Association.





When asked to rate the impact of each policy, the managers generally said that the effect was very bad, as shown in Table 6-8. Specifically, while the effect of the lack of the development of government personnel was rated as bad, the effect of all the other policies was rated as very bad.

With regard to the characteristics of companies and industries, Table 6-9 suggests that while the smaller companies commented relatively more about lengthy and complicated bureaucratic procedures, the larger companies were more worried about the government's price control and the lifting of trade barriers. This may be because smaller companies are less likely to spend resources on dealing with government agencies or establishing relationships with government officials, thus making them less efficient than larger companies in handling government contact. On the other hand, larger companies are likely to be more preoccupied with such government economic policies as price control or the easing of trade barriers since these policies threaten their monopolistic advantage and create greater competition. Table 6-9 also suggests that the medium-sized companies are more concerned about the ambiguous and uncertain nature of government economic policy and the lack of infrastructure facilities than were the others. This may be because several medium-sized companies are in the expansion stage; therefore, they want to be sure of the government's long-term industrial policy and the support of infrastructure facilities.

In addition, the foreign subsidiaries were more concerned about lengthy and complicated bureaucratic procedures, the ambiguous and uncertain nature of government economic policy, and the lack of infrastructure facilities more than were the others. The finding that the non-Thai companies, especially the foreign subsidiaries, mentioned the negative effect of complicated government procedures more frequently than did the others may be because some of these companies were reluctant to spend their resources on developing and maintaining a relationship with government officials.

Finally, as shown in Table 6-9, while the companies in industries with a lesser

extent of government control were preoccupied with the negative effect of lengthy and complicated bureaucratic procedures, those in industries with a greater extent of government control were more concerned about the government's price control.

It should be noted here that strictly, some of what is shown in Table 6-7 is not policy but the effect of policies. This suggests that several managers did not have a clear picture of the government economic policies which had a negative effect on their companies. It was also observed during the interviews that it took them some time before they could describe the bad effect of some government economic policies.

### 6.3.3 The Criteria

Answering the question put earlier at the beginning of this section, Vogel wrote:

"The business community has been remarkably consistent in its opposition to the enactment of any government policies that would centralize economic decision-making or strengthen the authority of government over the direction of the business system as a whole... The criterion by which business evaluates government policy has remained quite firm: does the proposed intervention strengthen or weaken the autonomy of management."<sup>16</sup>

According to Table 6-10, the criteria used by the managers in deciding whether or not a government economic policy was in their interest -inferred from their classification of a policy as good or bad- support the above statement. For the managers, a government economic policy was good if it made their costs lower, helped them extend their markets, or created and encouraged a monopolistic situation in their advantage.

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<sup>16</sup>Vogel, op.cit., p.81.

**Table 6-10: Some Criteria Used by Managers in Deciding Whether a Government Economic Policy Is in Their Interests**

Good Policy	Bad Policy
Lower costs (taxes and customs duties incentives, etc.)	Operational inefficiency (complicated and lengthy bureaucratic procedures)
Market extension (market information, trade negotiations, etc.)	Environmental uncertainty (policy ambiguity, changes in regulations, etc.)
Monopoly-like situation (import tariffs, quotas, etc.)	Threats to management autonomy (price control)
A say in public policy (government consultation with the private sector, for example, in the form of a joint committee)	Restricted planning (lack of infrastructure facilities such as water, electricity, transportation, communication, etc.)
Swift business operation (cut in bureaucratic procedures)	Threats to competitiveness (lifting of trade barriers)

One manager said, "The government's investment promotion policy is good... Such measures as tax concessions make several new investment projects more viable for us." Another added, "The government incentives for export make our products more competitive abroad. The measure helps us to penetrate into the international markets by enabling the products to be sold at lower prices." The same manager continued, "The recent setting up of new trade information centres in several other countries by the government is also a sensible measure... Thailand has several goods which can be very attractive to foreign buyers. But few potential buyers know about Thailand. The government certainly has a crucial role in getting Thai products known abroad."

Moreover, a policy which allowed them to participate in government policy formulation, or one which facilitated efficient business operation was also welcomed by the managers. One manager explained, "Some of our executives are participating in Ko Ro Oo (the JPPCC scheme)... This is a good sign. It means that the government is listening to us."

On the other hand, government economic policies which made business

operation inefficient, created uncertainties in the business environment, or threatened management autonomy were disliked by the managers. For example, one manager said, "Government interference with pricing is bad... Pricing is a strategic management decision. It involves managerial responsibility in terms of competition." Moreover, they also did not like an economic policy which restricted their business planning or threatened their companies' competitiveness.

As discussed earlier in Chapter 1, Umseem stated that corporate political behaviour occurs at three levels: company political action, industrial trade association political action, and classwide political action. In other words, he suggested that there are policy issues which divide as well as those which unite companies, thus resulting in different levels of business political behaviour.<sup>17</sup> It is proposed here that this is partly because when applying the criteria such as those shown in Table 6-10, managers of different companies may differently perceive or classify the same policy as having a good or bad effect on their companies, hence the different degrees of cooperation or competition with each other in their response to the policy.<sup>18</sup> However, the degree to which the criteria for classifying a policy and the context of their application dominate other factors such as industrial structure, products made or the interlocking of boards of directors,<sup>19</sup> in shaping a firm's responses to a policy, still needs more research.

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<sup>17</sup>Michael Useem, "Political, Business and social Theory: Company, Trade Association and Classwide Business Political Action," in V.V. Murray, *Theories of Business-Government Relations* (Toronto: Trans-Canada Press, 1985), pp.209-214.

<sup>18</sup>For more evidence and examples, see Raymond Bauer, Ithiel de Solu Pool, and Lewis Anthony Dexter, *American Business and Public Policy* (Chicago: Atherthon Press, 1972).

<sup>19</sup>For discussion on board of director interlocks, see Jeffrey Pfeffer, "A Resource Dependence Perspective on Intercorporate Relations, " in Mark S. Mizruchi and Michael Schwartz, editors, *Intercorporate Relations: The Structural Analysis of Business* (Cambridge: Cambridge University Press, 1987) pp.42-44; and Johannes M. Pennings, *Interlocking Directorates: Origins and Consequences of Connections Among Organizations' Boards of Directors* (San Francisco: Jossey Bass, 1980).



## 6.4 POLICY COOPERATION BETWEEN GOVERNMENT AND BUSINESS

After having identified the three most important economic policies which had a good effect on their companies and another three which had a bad effect, each of the managers was asked to assess the overall effect of the six government economic policies and of the government's economic policies in general.<sup>20</sup> Whereas earlier the influence of the government on the means of business operation, business decision-making, was discussed; in this section the influence of government economic policy on the ends of business operation, the primary objectives of business, are investigated.

### 6.4.1 The Impact of Government Economic Policy

According to Table 6-11, the managers said that overall the six government economic policies mentioned slightly lowered their total product costs and increased their growth, profit, competitiveness and sales volume. However, the product quality or efficiency of work in their companies remained the same. Table 6-11 also indicates that the majority of the managers said that overall government economic policy was generally in their favour. Some comments made by the managers are, for example, "The government's economic policies seem to be in our favour," "I think the government now cares more about business opinions. They keep in touch with major business groups," and "The government is becoming more friendly towards businessmen."

The implication of the above findings is that the managers felt that the negative effect of such policies as complicated and lengthy bureaucratic procedures, price

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<sup>20</sup>A manager was asked to assess the impact of the six government economic policies he just mentioned, instead of that of the government economic policy in general, on various aspects of his company's operation because it is desirable here to see the impact of the policies specifically mentioned by him.

control, or the lack of infrastructure facilities were overridden by the advantages generated by such policies as investment and export promotion, or domestic industry protection. This should not be a surprise, considering the amount of financial benefit a company can gain from various tax concessions or exemptions and the increase in competitiveness.

**Table 6-11: The Overall Impact of Government Economic Policies**

**Question:** a) *What was the overall impact of the six government economic policies you just mentioned on these specific aspects of your company's operation during the past 12 months?<sup>a</sup>*  
*Use this scale for your answer.*  
 1 = Much Lower      2 = Lower      3 = Slightly Lower  
 4 = The Same  
 5 = Slightly Higher      6 = Higher      7 = Much Higher

b) *In general, what was the overall impact of government economic policy on your company during the past 12 months?*  
*Use this scale for your answer.*  
 1 = Very Bad      2 = Bad  
 3 = Slightly Bad      4 = Balanced Or No Effect  
 5 = Slightly Good      6 = Good  
 7 = Very Good

Aspects of Company Operation	Median (N=41)
<b>Specific</b>	
1) The total costs of products or services	3
2) The quality of products or services	4
3) The efficiency of work in your company	4
4) The growth of your company	5
5) The profit of your company	5
6) The competitiveness of your company in the market	5
7) The sales volume of products or services	5
<b>General</b>	6

**Note:** <sup>a</sup> Previously, the respondents were asked to identify three government economic policies which had a good effect on their companies and another three which had a bad effect, thus making a total of six government economic policies.

**Table 6-12: The Overall Impact of Government Economic Policies by Characteristics of Companies and Industries<sup>a</sup>**

Aspects of Company Operation	Company's Characteristics				Industry's Characteristic				
	Size		Type		Extent of Government Control		Extent of Government Control		
	Small (N=12)	Medium (N=8)	Large (N=20)	Thai (N=28)	Joint-Venture (N=9)	Foreign Subsidiary (N=4)	Small (N=6)	Moderate (N=20)	Great (N=15)
<b>Specific</b>									
Cost	3	2	2	3	3	3	3	3	3
Quality	4	4	4	4	4	4	4	4	4
Efficiency	4	4	4	4	4	3	4	4	4
Growth	4	5	4	5	5	4	5	4	4
Profit	4	5	5	5	5	5	5	5	5
Competitiveness	5	5	5	5	5	4	5	5	5
Sales volume	5	5	5	6	5	4	5	5	5
<b>General</b>	5	5	6	5	6	5	5	5	6

Note: <sup>a</sup> The figures shown are the medians: for specific, 1 = Much Lower, 2 = Lower, 3 = Slightly Lower, 4 = The Same, 5 = Slightly Higher, 6 = Higher, 7 = Much Higher, for general, 1 = Very Bad, 2 = Bad, 3 = Slightly Bad, 4 = Balanced Or No Effect, 5 = Slightly Good, 6 = Good, 7 = Very Good.

With respect to the characteristics of companies and industries, Table 6-12 indicates that the large companies benefited more from the government's economic policies more than the small companies in terms of lower costs and higher profits. In addition, the medium-sized companies benefited more from the policies in terms of higher growth or expansion than did the others. This may be because, as stated earlier, several medium-sized companies are at the expansion stage.

As regards the types of company, the Thai and joint-venture companies benefited more from the government's economic policies in terms of higher growth, competitiveness, and sales volume than did the foreign subsidiaries. This is plausible, considering the earlier finding that the Thai and joint-venture companies enjoyed a great advantage from the export promotion policy (see Table 6-6).

Table 6-12 also shows that while the companies in industries with a lesser extent of government control benefited more from the government's economic policies in terms of growth, they suffered more from the policies in terms of work efficiency than did the others.

Finally, Table 6-12 suggests in general that the larger or joint-venture companies or those in industries with a greater extent of government control benefited more from government economic policies than did the others.

Michael Useem argued that in the United States, the increase of business political activity came from two main sources: declining company profits and rising government regulations.<sup>21</sup> The evidence and findings here that overall, the companies benefited from the government's economic policies and that the government was trying to rationalise the bureaucracy and consult with the private sector on major economic issues, do not support his argument in the case of Thailand. A more plausible explanation may be that companies in Thailand view the political involvement as part of their competitive strategy. In other words, each company or a group of companies, especially the bigger ones, tries to achieve a

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<sup>21</sup>Useem, *op.cit.*, p.214.

greater, sometimes exclusive, influence over economic policy making than their competitors. Some may do it defensively, for example by lobbying against or in favour of a policy; others may choose to be offensive, for example by initiating a new regulation to their own advantage. But the common objective is to have a better control of their business environment than their competitors.

#### **6.4.2 The Balance of Policy Cooperation**

The finding that overall the government's economic policies had a beneficial effect on the companies leads this research further to ask whether the companies made any effort to reap the benefits from the policies, whether the government just gave the benefits to them, or was it the result of policy cooperation between government and business. According to Table 6-13, it is suggested that to a great extent the Thai government seems to cater for business needs. For example, of all policies said to have had a good effect on their companies, 56% were said by the managers to be policies that the government intentionally designed to benefit their companies, while about 28% were said to be due to government and business cooperation. In only 1% of all the policies mentioned did the managers say that their companies intentionally planned their operations to receive the benefits of the government's economic policies.

In particular, the benefits from investment (80% of the times the policy was mentioned) and export promotion policies (50%) were often said by the managers to be due to the government's intention to help companies. For example, one manager said, "I think the government wants to help business to be able to invest and expand."

**Table 6-13: The Extent of Policy Cooperation between Government and Business**

**Question:** (For each of the three government economic policies mentioned as having a good effect on the company, a manager was asked) Do you think

- a. that the benefits that your company received from this policy came by chance or
- b. that the government intentionally designed this policy to benefit companies like yours or
- c. that your company intentionally planned your business to benefit from this policy or
- d. that the benefits were due to the cooperation between government and business or
- e. that you are undecided?

Policy Cooperation	Specific Government Economic Policies						
	All Policies (N=107)	Investment Promotion (N=30)	Export Promotion (N=14)	Domestic Industry Protection (N=13)	Public and Private Consultation (N=10)	Bureaucracy Rationalisation (N=9)	Others (N=31)
Government intention	56 %	80 %	50 %	77 %	20 %	67 %	36 %
Government-business cooperation	28	20	43	23	50	33	23
By chance	15	0	7	0	30	0	39
Company intention	1	0	0	0	0	0	3
Undecided	0	0	0	0	0	0	0

Another added, "It is not likely for a company to directly plan its operation in order to get grants from the government. It tends to be the other way round: the government makes policies in order to give grants to businesses. For instance, a company invests because it sees a commercial opportunity or a gap in the market. If government support coincides with the company's intention, it just makes the new investment more attractive to the company." The same manager continued, "The government itself cannot create economic growth. It is businesses which make economic progress. So what the government can do is to provide a variety of opportunities to business and companies will make choices."

Similarly, the benefits from the policies of domestic industry protection (77% of the times the policy was mentioned) and bureaucracy rationalisation (67%) were perceived by the managers as the government's intention. And the benefits from the policy of public and private consultation were said to be due to the cooperation between government and business (50%).

The finding that policy cooperation between government and business was in favour of business is consistent with the prevailing views on government and business relations discussed earlier, in which the managers and the bureaucrats agreed that business should play an initiatory role in relation to the government, and the government a facilitatory role in relation to business (see Chapter 4). However, it stands in contrast to the finding on the comparative influence of government and business in the institutional interaction discussed before (see Chapter 5). That is, whereas in institutional interaction the managers said that they or their companies had little influence over the government agencies they contacted, in policy interaction the government supported and cooperated with companies.

## 6.5 THE REACTION OF FIRMS TO AN ECONOMIC POLICY WHICH IS NOT IN THEIR INTERESTS: THE EX POST FACTO MODE

The reaction of business to a public policy after it has become effective, as against when it is being debated or formulated, is another research area often neglected by the literature on government and business relations. For example, after identifying the past research on business political behaviour as discussed earlier, Epstein carried out further research based on the hypothesis that as a result of recent electoral legislation and regulation in the United States, unions and business organisations now have greater legal flexibility in the electoral process through their political action committees (PACs).<sup>22</sup> Similarly, recent writers on strategic issues management and public affairs functions tend to stress the crucial role of chief executive officers in identifying, anticipating, and influencing external socio-political issues.<sup>23</sup> This research wishes to argue that while the significance of research into the influence of business on public policy in its formulation stage cannot be denied, the task of dealing with the impact of an already enacted government economic policy facing business managers is also hard to ignore. Thus, the research further asked the managers how they reacted to the government economic policies which had had a bad effect on their companies.

### 6.5.1 Classification of the Bad Effect of an Economic Policy

In the study of business and public policy, different authors have developed different ways of classifying policy issues in order to identify different business political behaviour. For example, Lowi argued that the policies shape the pattern of politics

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<sup>22</sup>Epstein, op.cit., p.44.

<sup>23</sup>Isaiah A. Litvak, "External Issues, Public Affairs and Corporate Boards," *Business Quarterly* (Spring, 1988), p.60; and James Gillies, *Where Business Fail* (Montreal: Institute for Research on Public Policy, 1981), Chapter 4 Dealing with Government : Strategies, pp.45-58.



associated with them. He stated that there are three major types of policy which shape the pattern of politics. According to him, they are distributive policies (such as tariffs or government contracts), redistributive policies (such as progressive taxation and welfare), and regulatory policies (such as the imposition of rules concerning pollution by government on industry).<sup>24</sup> Also, Young developed a method of classifying policies for analysing the nature of the relationship between government and business, using the intention of the government in the policy as well as the instruments of the policy. As regards the intention of the government in a policy, he distinguished three levels of intention: first, policies that are impartial towards primary, manufacturing and service industries; second, policies that discriminate between industries; and third, policies that discriminate between firms within industries. Concerning the policy instruments, he divided the means into economic and legal frameworks (such as economic and fiscal control and legal regulations) and non-regulatory measures (such as encouragement and exhortation, provision of advice and services, and financial inducements).<sup>25</sup>

On the other hand, in his analytical framework for managing corporate external issues, Bartha has classified four major issue types: universal issues, advocacy issues, selective issues, and technical issues.<sup>26</sup> Examples of universal issues include energy crises and unemployment, advocacy issues include environmental or consumer protection and economic nationalism, selective issues include export-import tariffs and quotas, and technical issues include mainly those involved with the government's day-to-day regulatory activities such as establishing product standards, negotiating with foreign countries, and making grants.

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<sup>24</sup>Theodore Lewi, "American Business, Public Policy Case Studies and Political Theory," *World Politics*, Vol.16, No.4 (July, 1964), pp.677-715.

<sup>25</sup>Stephen Young, *Intervention in the Mixed Economy: The Evolution of British Industrial Policy 1964-72* (London: Croom Helm, 1974), pp.16-28.

<sup>26</sup>Peter F. Bartha, "Managing Corporate External Issues: An Analytical Framework," *Business Quarterly* (Spring, 1988), pp.84-85.



However, due to the objective of this research and consequently its nature, most of the above methods of policy classification cannot be employed here. Instead, the classification of the bad effect of a government economic policy by the managers interviewed as either affecting their companies only or the whole industry is used to analyse the reaction of the companies to it.

According to Table 6-14, most bad effects of government economic policies were said by the managers to be industry-wide. About 77% of all the policies named were classified as having a bad, industry-wide effect. Specifically, about 58% of the cases of the bad effect of the lengthy and complicated procedures, 60% of the policy ambiguity, 85% of the price control and 71% of the lack of the infrastructure facilities were classified by the managers as industry-wide.

It may be asked here why a government economic policy can be classified as affecting a company as an individual and an industry as a whole at the same time. This is a question of the managers' perception as well as what actually has happened. On one hand, it should be accepted that the industry-wide effect of a policy consists of several effects on individual companies, and conversely that each effect on an individual company may be part of a wider effect on the whole industry; thus the classification was due to the perception of the managers to a certain extent. On the other hand, the classification may be according to what has actually happened to the companies. For example, while it is well known that the ambiguity of taxation laws has caused concern among most companies, it can hardly be said that the effect of the situation in which a company was investigated by the Revenue Department on suspicion that it had not properly paid taxes two years ago was industry-wide. Similarly, the effect of the case when, despite retroactive permission from the Board of Investment, the Customs Department refused to release merchandise imported by a company receiving investment incentives, based on the allegation that the goods did not have promoted status, was individual rather than industry-wide in fact. Thus, later interpretation of the analysis should take into account the nature of the policy

classification described above.

### 6.5.2 Company Decision to Make a Complaint about the Bad Effect

According to Table 6-15, regarding all the policies perceived as having had a bad effect on them, the companies frequently did not complain to the responsible government agencies.

**Table 6-15: Company Decision to Make a Complaint about the Bad Effect of Government Economic Policy**

Decision to Complain	All Policies (N=101)	Type of Impact	
		Individual Company (N=23)	Industry- Wide (N=78)
Yes	41 %	78 %	30 %
No	59	22	70
Cramer's V			0.42
X <sup>2</sup> Test (DF=1)			15.56
Probability			0.000

About 59% of the policies were not complained about by the managers. However, concerning the behaviour of the companies in each type of impact, different patterns of decision to make a complaint were found (Cramer's V = 0.42). That is, the companies were likely to make complaints to government agencies if a policy affected them individually, but were unlikely to make any complaints if a policy affected the whole industry (X<sup>2</sup> test, p = 0.000) While the managers complained of about 78% of the policies which affected their companies individually, they only complained about 30% of those which affected the whole industry.

The above finding indirectly supports what was stated by Bartha as discussed

earlier in Chapter 1. To repeat, he argued that there are two distinct aspects of business-government relations from the chief executive officers' perspective: systemic and competitive. At the systemic level are the macro-issues of public policy that affect collectively all members of an industry, a sector, or even the business community as a whole, while at the competitive level are the micro-concerns that influence individually a firm or a business unit in relation to its competitors. He then claimed that the chief executive officers are unable or unwilling to accept individual responsibility for dealing with collective problems and consequently refer it to such collective units as industrial trade associations. On the other hand, at the competitive level, pragmatic business considerations dominate the interaction process, regardless of what is happening in the macro-environment.<sup>27</sup>

However, Bartha did not spell out specifically whether his explanation applied at the stage when a public policy was being formulated or implemented or both. Even though the evidence from this research shows that the companies' reaction to an already effective government economic policy (the *ex post facto* mode) is in accordance with his argument, the validity of his argument concerning the companies' activities when a government economic policy is being debated or formulated (the *ex ante facto* mode) still needs to be confirmed by more empirical research.

With regard to the characteristics of companies and industries, Table 6-16 shows that the large or Thai companies or those in the industries with a great extent of government control, were relatively more active in complaining about or exerting influence on the implementation of government economic policy, than the small or foreign companies or those in industries with a small extent of government control.

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<sup>27</sup>Peter F Bartha, "Organizational Competence in Business-Government Relations: A Managerial Perspective," *Canadian Public Administration*, Vol.28, No.2 (Summer, 1985), p.207.



Table 6-16 also shows that this was likely regardless of the types of impact. The large companies made complaints about 89% of the policies which affected them individually, whereas the small companies made complaints about 57% of them; while the Thai companies made complaints about 92%, the foreign companies made complaints about 67%; and while the companies in industries with a great extent of government control made complaints 80%, those in the industries with a small extent of government control made complaints about 57%. Similarly, while the large companies made complaints about 36% of the policies which affected the whole industry, the small companies only made complaints about 10% of them; and while the Thai companies or those in industries with a great extent of government control made complaints about 38% and 37% respectively, the foreign companies or those in the industries with a small extent of government control did not make any complaints at all. This may be due to different characteristics of the policies affecting the companies with different characteristics as discussed earlier (see Table 6-9).

### **6.5.3 Company Reasons for Not Making a Complaint**

The research further examines why some companies did not complain about the bad effect of a government economic policy to the responsible government agencies. According to Table 6-17, regarding all the policies perceived as having had a bad effect on them, the main reason for the decision of the companies not to make any complaints was that they did not think the agency responsible for the policy would listen to their complaints. For example, one manager said, "I do not think our complaints will make things (bad road conditions around the factory) better."

**Table 6-17: Reasons for Not Making a Complaint by Type of Impact**

**Question:** *If no, to what extent were these the reasons why your company did not complain to the agency about this policy? Use this scale for your answer.*

- 1 = No Extent
- 2 = Small Extent
- 3 = Moderate Extent
- 4 = Great Extent
- 5 = Very Great Extent

Reasons for not making a complaint	Type of Impact <sup>b</sup>			Cramer's V	Z (corrected for ties)	p (2-tailed)
	All Policies <sup>a</sup> (N=60)	Individual Company (N=5)	Industry-Wide (N=55)			
1) You did not think the agency responsible for this policy would listen to your complaint	4	4	4	0.14	-0.70	0.486
2) You did not think the complaint was worth the time and effort	3	4	3	0.33	-1.56	0.119
3) The procedure of making a complaint was too troublesome	2	4	2	0.55	-1.82	0.069
4) It was difficult to identify which agency was responsible for this policy	1	2	1	0.33	-1.11	0.268
5) There were no clear or explicit ways of complaining available	1	3	1	0.39	-1.76	0.078
6) The effect was not too bad	1	3	1	0.39	-1.94	0.052

Note a, b The figures shown are medians.



Similarly, they did not think that the complaints were worth the time and effort. For example, one manager said, "You are wasting your time if you go to the bureaucrats and tell them that their services are not efficient. They will ask you, 'Do you think I am not aware of that?'" To a small extent, they did not complain because the procedure for complaining is too troublesome. However, that it was difficult to identify which government agency was responsible for the policy, that there were no clear or explicit ways of complaining available, and that the effect of the policy was not too bad, were apparently not the reasons why the companies did not try to influence the responsible government agencies. One manager said, "We know where to make the complaints. We just do not believe we are in a position to change the policy (regulation on food labelling)." Another manager in the motor-cycle industry explained, "This is a policy level issue (the ambiguity of the government policy on imported component-parts). I know how and where to negotiate about this... But I do not think that my company should take on the responsibility to the extent of initiating the complaints." Another manager cautioned, "I do not want any bureaucrats to have hard feelings against my company (if the company complained about the way government information was distributed among garment manufacturing companies, which it thought was biased)."

In the comparison of company decisions not to make a complaint within the two types of impact, Table 6-17 suggests that difficulty in identifying which government agency was responsible for the policy and the absence of a clear or explicit way of complaining were more often the underlying reasons in the cases of impact on an individual company than in the cases of impact on the industry as a whole (the former reason: Cramer's  $V = 0.33$ , Mann-Whitney U test,  $p = 0.268$ ; and the latter reason:  $V = 0.39$ ,  $p = 0.078$ ). An example of this from the interviews is the case in which the construction of a company's project, which was situated within an industrial estate belonging to the Industrial Estate Authority of Thailand (IEAT -a public enterprise under the Ministry of Industry), had been delayed by the lack of electricity and a

water supply. At that same time the position of the IEAT governor was vacant. As a result, the company did not know what to do or who to talk to because the authority of the IEAT had refused to make any decision.

According to Table 6-17, the complexity of the complaints procedure was more frequently the underlying reason for company decision not to make any complaints in the cases of impact on an individual company than in the cases of impact on the industry as a whole (Cramer's  $V = 0.55$ ; Mann-Whitney U test,  $p = 0.069$ ). This is likely since if a policy has an industry-wide effect or affects many companies, the relevant trade associations readily provide a channel for making complaints, exerting influence, and negotiation.

In addition, a low expectation of the success of an effort to influence a government economic policy was more frequently the reason for not making a complaint in the cases of impact on an individual company than in the cases of impact on the whole industry (Cramer's  $V = 0.33$ ; Mann-Whitney U test,  $p = 0.119$ ). This is likely since the government will normally pay more attention to complaints made collectively by a group of companies or a business association than to those made individually by a company. It also may be because the companies were likely to make complaints to government agencies about the policies which affected them individually only when the bad effect was serious. According to Table 6-17, the managers more frequently said that the effect of the policy was not too bad in the cases of impact on an individual company than in the cases of impact on the whole industry (Cramer's  $V = 0.39$ ; Mann-Whitney U test,  $p = 0.052$ )

#### **6.5.4 Channels for Making a Complaint**

Having decided to make a complaint, how did the companies go about it? According to Table 6-18, the companies tried to influence a government economic policy which had a bad effect on them either through business associations such as trade

associations and chambers of commerce, or directly to the government agencies responsible for the policy. But none of the companies attempted to exert influence on the agencies by both of the above methods at the same time.

**Table 6-18: Channels for Making a Complaint by Type of Impact**

Channel	All Policies (N=41)	Type of Impact	
		Individual Company (N=18)	Industry- Wide (N=23)
Business associations	56 %	33 %	74 %
Direct	44	67	26
Both	0	0	0
Cramer's V			0.41
X <sup>2</sup> Test (DF=1)			5.20
Probability			0.023

In other words, what Table 6-18 suggests is that making a complaint about the bad effect of a government economic policy through a business association and directly to the responsible government agencies are mutually exclusive. This could be because when a business association is dealing collectively with the government on an issue, it is unlikely that a company will contact the government directly concerning the same issue at the same time, for fear of trespassing into the authority of the association, of complicating the issue, or of offending other companies. For example, one manager of a vegetable oil refining company said, "The issue (price control) is being handled by the trade association. I do not think the association would be happy if we try to contact the government ourselves."

In addition, when a company has chosen to complain directly to the government about the bad effect of a policy, it may have already decided at the beginning that due to its nature and characteristics, the issue cannot or should not be handled by a

business association or vice versa. For example, one manager said, "I do not think the trade association is interested in getting involved in this (time-consuming contact with the Office of the Board of Investment)." On the other hand, one manager of a paper manufacturing company said, "This (the lifting of bans on imported paper) is a matter of collective concern. A single company will not have enough influence to persuade the government on the issue."

Accordingly, Table 6-18 indicates that when the effect of a policy was perceived by the managers as affecting their companies individually, complaints were often made directly to the responsible government agencies, whereas when the effect was perceived as industry-wide, efforts to exert influence on the agencies were channeled through the relevant business associations (Cramer's  $V = 0.41$ ;  $X^2$  test,  $p = 0.023$ ). While complaints about 67% of the cases of individual company impact were made directly to the responsible government agencies, 74% of the cases of industry-wide impact were channelled through business associations.

The explanation for the above result is quite straightforward: most companies are affiliated with a trade association or a chamber of commerce and will try to influence government economic policy through it when the issue is of collective, industry-wide concern. At the same time, there are issues which are rather specialised and of individual concern; therefore, companies have to deal directly with the government themselves. However, this is not to say that the difference between the individual company impact of policies and the industry-wide impact of policies is absolutely decisive in pointing out which method companies will use to deal with the government. For instance, even though some issues may have an industry-wide impact but are also issues in which the companies concerned are divided, a business association may not wish to take a position and, consequently, fail to act; thus, the companies may be on their own in dealing with the government.

## 6.6 SUCCESS OF THE REACTION

Finally, as in the previous chapter, the success of policy interaction, or in particular the success of the efforts of firms to influence government economic policies which are not in their interests, is assessed. After the managers had stated how they made complaints, they were further asked how responsive the government agency was to their complaints, and how satisfied they were with the response.

### 6.6.1 Government Responsiveness and Company Satisfaction

According to Table 6-19, government agencies were relatively more responsive to complaints made by the companies about industry-wide impact than to those about individual company impact (Cramer's  $V = 0.46$ ). That is, while the agencies were only slightly responsive to complaints about the policies which had a bad effect on an individual company, they were moderately responsive to complaints about the policies which had a bad effect on the whole industry (Mann-Whitney U test,  $p = 0.011$ ). About 74% of complaints about industry-wide impact were said by the managers to be greeted by government agencies moderately responsively or very responsively, whereas about 72% of those about individual company impact were greeted by the agencies with slight or moderate responsiveness.

Similarly, the companies were apparently more satisfied with the response of the government to complaints about industry-wide impact than to complaints about individual company impact (Cramer's  $V = 0.48$ ). That is, while the majority of the managers were slightly satisfied with the response of government agencies in the cases of impact on the whole industry, they were not satisfied at all with the response in the cases of impact on an individual company (Mann-Whitney U test,  $p = 0.003$ ). Whereas the managers were not satisfied at all with 72% of government responses to their complaints about individual company impact, they were slightly satisfied or

moderately satisfied with 60% of government responses to complaints about industry-wide impact.

**Table 6-19: The Responsiveness of Government Agencies to Complaints and Company Satisfaction with the Responses by Type of Impact**

Responsiveness and Satisfaction		Type of Impact	
		Individual Company (N=18)	Industry-Wide (N=23)
<b>Agency Responsiveness</b>			
Not At All	1	28 %	9 %
Slightly Responsive	2	22	17
Moderately Responsive	3	50	39
Very Responsive	4	0	35
Extremely Responsive	5	0	0
Median		2	3
Cramer's V			0.46
Mann-Whitney U Test	Z (corrected for ties) p (two-tailed)		-2.54 0.011
<b>Company Satisfaction</b>			
Not At All	1	72 %	26 %
Slightly Satisfied	2	17	30
Moderately Satisfied	3	11	30
Very Satisfied	4	0	13
Extremely Satisfied	5	0	0
Median		1	2
Cramer's V			0.48
Mann-Whitney U Test	Z (corrected for ties) p (two-tailed)		-2.99 0.003

The above findings may be due to the nature of the issues complained about as well as the methods used to make complaints. For instance, the government is likely to be less responsive to complaints from companies concerning water quality or interference in the telecommunication system of their factories or offices than to those from a trade association concerning issues like price control or impractical regulation of product standards. Two managers gave contrasting examples. While one said, "Our complaints about the bad quality of water seem to disappear into nowhere," another said, "The government officials were concerned about the complaint (about the increasing price of soya beans). They held a meeting with major soya bean users a week after that."

As regards the methods of making complaints, it was discussed earlier that while complaints about industry-wide impact were likely to be channelled through the relevant business associations, complaints about individual company impact often went directly to the responsible government agencies. This tendency, together with the result shown in Table 6-20 may further help explain the above findings. According to Table 6-20, government agencies were more responsive to complaints made by business associations than to those made by individual companies in both types of impact (individual company impact: Cramer's  $V = 0.44$ , Mann-Whitney U test,  $p = 0.154$ ; industry-wide impact:  $V = 0.53$ ,  $p = 0.089$ ). In the case of impact on an individual company, up to 42% of complaints made directly to the responsible government agencies, compared to none of those made through business associations, were said by the managers to be received with no response at all by the agencies. However, even though the managers said they were satisfied with 33% of the responses when the complaints were made through business associations, overall they did not seem to be satisfied with the response regardless of the methods of making complaints used (Cramer's  $V = 0.51$ ; Mann-Whitney U test,  $p = 0.096$ ).

**Table 6-20: The Responsiveness of Government Agencies and Company Satisfaction by Type of Impact by Channel for Making a Complaint**

Responsiveness and Satisfaction	Type of Impact						
	Rating Value	Individual Company			Industry-Wide		
		Business Association (N=6)	Direct (N=12)	Business Association (N=17)	Direct (N=6)		
<b>Agency Responsiveness</b>							
Not At All	1	0 %	42 %	0 %	33 %		
Slightly Responsive	2	33	17	18	17		
Moderately Responsive	3	67	42	41	33		
Very Responsive	4	0	0	41	17		
Extremely Responsive	5	0	0	0	0		
Median		3	2	3	2		
Cramer's V			0.44		0.53		
Mann-Whitney U Test			-1.43		-1.73		
			0.154		0.089		
			Z (corrected for ties)				
			p (two-tailed)				
<b>Company Satisfaction</b>							
Not At All	1	50 %	83 %	12 %	67 %		
Slightly Satisfied	2	17	17	35	17		
Moderately Satisfied	3	33	0	41	0		
Very Satisfied	4	0	0	12	17		
Extremely Satisfied	5	0	0	0	0		
Median		1	1	3	1		
Cramer's V			0.51		0.60		
Mann-Whitney U Test			-1.67		-1.89		
			0.096		0.058		
			Z (corrected for ties)				
			p (two-tailed)				



Regarding the cases of industry-wide impact, about 82% of the complaints made through business associations, compared to 50% of those made directly to the government, were dealt with by government agencies moderately responsively or very responsively. The managers were more satisfied with the response from government agencies when the complaints were made through business associations than when they were made directly by the companies (Cramer's  $V = 0.60$ ; Mann-Whitney U test,  $p = 0.058$ ). While the managers said they were moderately satisfied or very satisfied with 53% of government responses when the complaints were made through business associations, they were so with only 17% when the complaints were made directly by the companies.

## 6.7 SUMMARY

The analysis of the policy interaction here has refined the literature on government and business relations to a certain extent. In particular, it has refined the general assumption of theories on business political activities by showing that in addition to such variables as profit rate and geographical dispersion, company size, origin, and the extent of government control in the industry also shape the basis of business efforts to influence government economic policy. It has also demonstrated that the influence of the government varies from one business function to another and that business political activities do not necessarily have to respond to hostile government intervention but can be part of an overall business strategy with regard to competitive advantage. In addition, the analysis of policy interaction has offered an explanation for the suggestion of the literature that there are policy issues which unite as well as divide business, by identifying some of the criteria used by companies in deciding whether a government economic policy is in their interests. These criteria may be differently applied by companies. Finally, the distinction between individual company impact and industry-wide impact has also proved to be fruitful in explaining business inaction as well as reaction to economic policies which are not in its favour.

**Chapter 7**  
**Conclusions**

- 7.1 Summary of Research Findings**
- 7.2 Implications**
- 7.3 Further Research**

## CHAPTER 7

### CONCLUSIONS

This final chapter will summarise the major findings of the research. It will then bring out both the practical and theoretical implications of these findings. In response to the central research question raised at the beginning: "What can government and business do to gain greater benefit from their relationship?" (Chapter 2), the practical implications will be evaluated in terms of their recommendations on business management and public policy, and in the light of the weaknesses of the literature (Chapter 1), the theoretical implications will be evaluated to suggest future research approaches and areas of investigation.

#### 7.1 SUMMARY OF RESEARCH FINDINGS

As stated in Chapter 2, the two main intentions of this research are to study the interaction between the government and business (the manufacturing sector) in Thailand and its ideological context. The research was conducted in the light of the literature's failure to carry out interactional analysis of the business-government relationship and the scarcity of empirical findings on this relationship in industrially non-advanced countries. The principal findings of the research can be summarised as follows:

##### 7.1.1 The Ideological Context

*Economic ideology.* Overall, the research findings have suggested that in terms of economic ideology, the senior bureaucrats and the managers were not much

different. In addition, the bureaucrats have become more economically liberal than past research findings suggested.

The summary of the findings on the comparison of economic ideologies of the bureaucrats and the managers is as shown in Table 7-1.

**Table 7-1: Comparison of Economic Ideologies of Thai Managers and Senior Bureaucrats<sup>a</sup>**

COMPARISON OF VIEWS ON...	Disagree	Agree
	_ _ _ _	
<b>THE ECONOMIC ROLE OF THE GOVERNMENT</b>		
The economic system which best encourages the growth of businesses in Thailand is the one with the least government intervention.	Managers ▒▒▒▒▒	
Public utilities, such as electricity, water, telecommunication, transportation, should be owned and operated by the government.	Bureaucrats ▒▒▒	
Joint ventures between the government and companies are a good strategy for Thailand in promoting industry.	▒▒▒▒▒	
Using trade barriers to protect local companies from the competition of big foreign companies is something that the government should do.	▒▒▒▒▒▒▒	
<b>GOVERNMENT REGULATION</b>		
In some industries, price levels may be determined by only a few companies, yet the government should not interfere with pricing.	▒▒▒▒▒▒▒	
Regulating the standard of goods and services is something that the government should do.	▒▒▒▒▒▒▒	
Regulating minimum wage levels is something that the government should do.	▒▒▒▒▒▒▒	
The level of interest rates should be allowed to float freely without any control such as the fixing of the maximum or minimum rates by the government.	▒▒▒▒▒	
The control of foreign currency exchange is something that the government should do.	▒▒▒▒▒▒▒	

Table 7-1: Continued

	Disagree	Agree
<b>GOVERNMENT ASSISTANCE TO FIRMS</b>		
The government should promote newly established companies which are not strong enough to compete in the market by giving them		
a) subsidies		
b) loans at a rate which is lower than that of commercial banks		
c) tax concessions		
The government should promote companies which are expanding and are in a growth industry by giving them		
a) subsidies		
b) loans at a rate which is lower than that of commercial banks		
c) tax concessions		
The government should help companies which are in financial trouble because of bad economic conditions by giving them		
a) subsidies		
b) loans at a rate which is lower than that of commercial banks		
c) tax concessions		

Note: <sup>a</sup> The bar chart is plotted by medians.

Except on the issue of protecting local industry, it can be seen from Table 7-1 that both the bureaucrats and the managers shared similar views on the economic role of the Thai government. That is, both generally disagreed with government intervention and ownership of business but were undecided about joint ventures between business and government as a way of promoting industry. However, while the bureaucrats preferred more competition from abroad, the managers did not.

There was also not much difference in the bureaucrats' and managers' views on government regulation. In fact, on the issues of minimum wages and foreign currency exchange, the managers preferred government regulation more than the senior bureaucrats did. Both believed that the standards of goods and services should be regulated. However, the managers rejected government price control, which is consistent with the later finding of the policy interaction analysis that price control was viewed by the managers as a threat to management autonomy (Chapter 6). With regard to the issue of free-floating interest rates, while the bureaucrats disagreed with it, the managers were undecided.

Concerning the issue of government financial assistance to firms, the senior bureaucrats and the managers similarly distinguished between the types of company receiving assistance as well as the types of assistance given. That is, both gave priority to newly-established companies rather than expanding companies or those in financial trouble. They also preferred the financial assistance to be in the form of tax concessions rather than subsidies or soft loans from the government.

Nevertheless, as discussed at the end of Chapter 3, little consistency was found in each individual senior bureaucrat's or business manager's economic views. For example, a manager or a bureaucrat could support the spirit of free enterprise and encourage the government's protection of local industry at the same time. This ideological inconsistency could be due to an individual bureaucrat's or manager's perception of the extent of the government's role in a free market economy as well as to the domination of other pragmatic considerations over free market ideals in the mind of an individual bureaucrat or manager.

***Business and politics.*** The views of the senior bureaucrats and the managers on government and business relations were harmonious and similar to a large extent.

With regard to the form of the relationship, they both believed that businesses should play a leading role in relation to the government, and that what the government

should do is to facilitate business initiatives. In other words, both the senior bureaucrats and the managers preferred the scenario in which the government acts as an onlooker but at the same time makes sure that business undertakings are properly carried out. However, as shown in Table 7-2, which summarises the responses to the statements concerning views on government and business relations, the managers accepted that it was rather difficult for the government to carry out this task.

**Table 7-2: Comparison of Views of Thai Managers and Senior Bureaucrats on Business and Politics**

COMPARISON OF VIEWS ON BUSINESS AND POLITICS	Disagree <span style="float: right;">Agree</span>			
	Managers			
It is rather difficult for the government to oversee and ensure fair business competition without bias.	■	■	■	■
	Bureaucrats			
The present high level of involvement in politics by businessmen will do more good than harm to the economy of Thailand.	■	■	■	■
Economic policy making should be done by the government only; businessmen should not get involved.	■	■	■	■
The participation of business in economic policy formulation will make	■	■	■	■
a) policy implementation easier.	■	■	■	■
b) the policy outcome benefit only a few groups of people.	■	■	■	■
Business should influence the economic policy making of the government through trade associations or chambers of commerce only.	■	■	■	■

Note: <sup>a</sup> The bar charts are plotted by medians.

With respect to business involvement in politics, while the bureaucrats encouraged it, some managers were hesitant about it. Nevertheless, both believed that business should have a role in the government's economic policy-making. It was also found that those bureaucrats and managers who were in favour held the view that this participation would make policy implementation easier but rejected that it would create

bias in policy formulation.

Finally, both the bureaucrats and the managers agreed that business participation in the government's economic policy-making should be channelled through business associations, although neither ruled out other possibilities such as the direct participation of businessmen-turned-politicians or lobbying.

### **7.1.2 Government and Business Interaction**

After having discussed the ideological context of government and business relations in Thailand, the research analysed the relationship itself. The analysis distinguished between institutional interaction and policy interaction.

*Institutional interaction.* The summary of the responses to the questions asked in the study of institutional interaction between companies and government agencies is shown in Table 7-3. The important features of these responses are summarised below.

It was found that contact and communication between manufacturing companies and the government in Thailand centre on a few government departments or their equivalents. The nine government agencies listed in Table 7-3 represented more than 80% of the agencies named by the managers as the three most important government agencies their companies contacted. This finding highlights the tendency that the extent of company interaction with various government agencies is not homogeneous but depends on the characteristics of the industry. While the manufacturing industry, currently characterised by rapid growth and export expansion, was found to deal extensively with the Office of the Board of Investment, the Industrial Works Department and the Customs Department for new investments, production expansion and export, other industries like the Banking industry might be more involved with the Bank of Thailand or the Fiscal Policy Office on monetary issues.



**Table 7-3: Comparison of Characteristics of Compulsory and Non-Compulsory Dealings between Companies and Government Agencies**

<i>Question</i>	<i>Findings<sup>a</sup></i>	
Could you give me the names of the three most important government agencies that your companies contacted or dealt with during the past 12 months?	Board of Investment, Industrial Works Dept.,   Customs Dept., Revenue Dept., Internal Trade   Dept., Foreign Trade Dept., Thai Industrial   Standards Institute, Labour Dept., Food and   Drug Administration (the nine government   agencies most frequently named)	
How <u>important</u> was this agency to your company during the past 12 months?	Very Important 	
Most of the time, was it <u>legally compulsory</u> for your company to contact or deal with this government agency during the past 12 months?	Compulsory   80%	Non-compulsory   20%
During the past 12 months, to what <u>extent</u> was your company involved with this agency for the following reasons?	<i>Compulsory</i>	<i>Non-Compulsory</i>
a. To negotiate (e.g. agreements of contracts, disputes, joint projects, etc.)	Moderate Extent	Moderate Extent
b. To complain (e.g. about difficulties, government regulations, etc.)	Small Extent	No Extent
c. To ask for help (e.g. financial help, advice, recommendations, opinions, etc.)	Moderate Extent	Great Extent
d. To send records, reports, or other documents required by this agency	Moderate Extent	Moderate Extent
e. To receive records, reports, or other documents from this agency	No Extent	Small Extent
f. To influence (e.g. the agency's services, operations, policies, etc.)	Moderate Extent	Small Extent
g. To establish or maintain a relationship with this agency	Moderate Extent	Moderate Extent
h. This government agency is one of your customers	No Extent	No Extent
Overall, how much <u>influence</u> did this agency have on your company during the past 12 months?	Moderate Influence	Great Influence
On the other hand, overall, how much <u>influence</u> did your company have on this agency during the past 12 months?	No Influence	Little Influence
How many <u>contact persons</u> did your company normally communicate with when dealing with this agency during the past 12 months? For example, company A normally contacted the Director of the Industrial Economics Division when dealing with the Ministry of Industry?	5 persons <sup>b</sup>	5 persons

Table 7-3: Continued

<i>Question</i>	<i>Compulsory</i>	<i>Non-Compulsory</i>
What was the <u>highest job-level</u> of these contact persons?	Senior Level 	Senior Level 
What was the <u>lowest job-level</u> of these contact persons?	Ordinary Level 	Ordinary Level 
How <u>helpful</u> were these contact persons in your dealings with this agency?	Helpful 	Very Helpful 
How <u>well acquainted</u> were you personally or your company with these contact persons?	Moderately Acquainted 	Moderately Acquainted 
During the past 12 months, how <u>frequently</u> has your company communicated or been in contact with this agency?	About Monthly 	About Monthly 
Specifically, how <u>frequently</u> did your company communicate with this agency through each of the following ways during the past 12 months?		
a. Telephone calls	1-2 Times	Once Every 3 Months
b. Letters, reports, etc.	1-2 Times	Once Every 3 Months
c. Face-to-face meetings	About Monthly	About Monthly
In general, what percentage of all this contact and communication with this agency was <u>initiated by people in your company</u> during the past 12 months?	81-100% 	81-100% 
How <u>well informed</u> were you of the following aspects of this agency?		
a. Its objectives or policies	Well Informed	Well Informed
b. Its internal operations, activities, or work processes	Moderately Informed 	Moderately Informed 
c. Its internal organisation or structure	Moderately Informed	Moderately Informed
Overall, how much <u>difficulty</u> did you experience in your contact with this agency during the past 12 months?	Little Difficulty 	No Difficulty 
How <u>satisfied</u> were you with the relationship between your company and this agency during the past 12 months?	Satisfied 	Very Satisfied 

Note: a Unless otherwise specified, the findings shown are the medians of the responses to the questions.

b Average.

Such an association of an industry with the group of government agencies it primarily contacted has important implications. The association helps explain intra-government disputes, which theories based on the assumption of monolithic or consistent bureaucracy fail to explain or even recognise. For instance, the officials of the Office of the Board of Investment may not be satisfied with the way companies they promote are treated by the officials of the Revenue Department. Such intra-governmental tension can develop since a government agency develops different relationships and works on different bases with different industries, sometimes even with different companies within the same industry.

The research further distinguished between legally compulsory and non-compulsory dealings between companies and government agencies. Despite having mostly been initiated by companies, the two types of contact differed in several aspects. It was found that the companies were more involved in such activities as attempting to gain influence over and making complaints to government agencies in compulsory contact than in non-compulsory contact. But such activities as asking for help or information from government agencies were more prevalent in non-compulsory contact than in compulsory contact. However, such activities as sending information to government agencies, and negotiating and establishing or maintaining a relationship with government agencies were common to both types of contact.

The findings suggest that from the standpoint of companies, while compulsory contact is disadvantage-oriented, non-compulsory contact is advantage-oriented. That is, companies try to lose the least in compulsory contact but try to gain the most in non-compulsory contact. This may be one of the reasons why the majority of the managers said that they were more satisfied with their relationship with the government in non-compulsory contact than in compulsory contact. For instance, a company is likely to have relatively more difficulty in such compulsory dealings as getting their goods through customs or seeking permission to install a new piping system in its factory, than in such non-compulsory dealings as asking for information or joining a government trade mission abroad.

These different bases and orientations of compulsory and non-compulsory dealings may also account for the different patterns of communication in the two types of interaction. It was found that the companies relied mainly on face-to-face meetings as a means of communication in compulsory contact with the government due to the extensive activities of negotiating, attempting to gain influence and making complaints involved in such interaction. But in non-compulsory contact, other methods of communication such as letters or telephone calls were used as a complement to face-to-face meetings in such interaction as asking for help or information.

Concerning personnel links within contact, it was found that in both types of contact, a company normally communicated with an average of 5 contact officials in its regular dealings with a government agency. The rank of these contact officials ranged from ordinary level such as members of administrative staff or clerks to senior level such as division directors. The personnel links were the result of informal acquaintance due to regular contact, of being former colleagues, or of having studied in the same class. These personal and personnel links raise the question of the adequacy of the approach of some writers which emphasises the sharing of social and educational backgrounds by senior bureaucrats and the business elite in analysing government and business relations, but ignores their informal relationship developed during regular interaction.

Finally, even though the companies said that they had little influence on the government agencies they contacted and that government agencies had a great influence on them, they were generally satisfied with their relationships with government agencies. In addition, the research findings support the broad hypothesis of the literature that the more knowledgeable managers are of the government agencies they contact and the more acquainted they are with the contact officials, the more successful their relationships with the agencies are likely to be.

***Policy interaction.*** In the second part of the analysis of the business-government relationship, the research has identified some of the major driving forces of policy interaction. It was found that government control of companies' pricing decisions, production capacity and output level decisions, and wage decisions formed the basis of business efforts to influence government economic policy. Other than the company decisions mentioned above, the Thai government had little influence on such marketing decisions as sales promotion, product distribution, and launching new products or abandoning existing products. The findings also refine the assumptions of the theories of business political activities by showing that government influence on company decisions varies from one business function to another.

However, there was little evidence that the companies' decision-making was considerably disrupted or regulated by the government. In fact, the findings suggest that in Thailand, government economic policy is generally pro-business. The evidence of this pro-business economic policy is that the majority of the managers interviewed said that overall, government economic policy contributed positively to their companies' costs, growth, profits, competitiveness and sales volumes. Such a policy environment is consistent with the ideological context discussed earlier, in which businessmen are encouraged by bureaucrats to participate in economic policy making.

In addition, with regard to the balance of policy cooperation between government and business, the research found that the companies needed to do little in order to become entitled to the benefits from the government' economic policies. Clearly, the government has designed economic policies with the intention of fostering the interests of business.

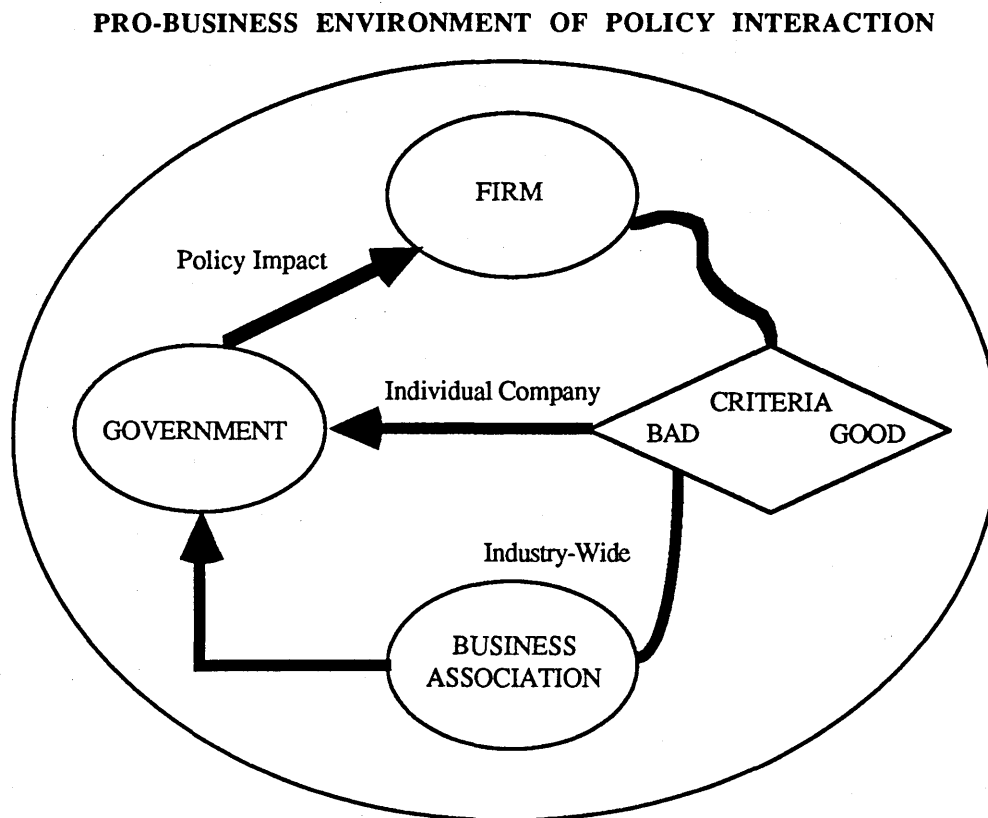
Such a pro-business scenario makes inapplicable and inadequate in the case of Thailand, the literature's statement that business involvement in politics is due to the adversarial intervention of the government and the increasing number of regulations. None of the research findings show that the political activities of companies in

Thailand primarily respond to government regulations as do those of companies in Western industrial countries such as the United States. This research hypothesises that this scenario not only prevails in Thailand but also in other developing countries where, for instance, employees' injuries or environmentally unfriendly factories are taken as facts of life. The alternative explanation offered by this research is that in a pro-business environment, business political activities are seen by firms as part of their competitive strategy or are the result of imitation of their competitors' actions. Firms try to secure greater influence over government economic policy than their competitors or even to gain exclusive influence over a policy issue.

Some of the economic policies most frequently mentioned by the managers as contributing positively to business were investment and export promotion, protection of domestic industry, government consultation with business on economic policy, and rationalisation of the bureaucracy. Some of the economic policies most frequently mentioned as contributing negatively to business were bureaucratic red tape, the uncertain and ambiguous nature of public policy, price control, lack of infrastructure facilities, lack of development of government personnel, and the lifting of trade barriers on certain goods.

These government economic policies perceived as either having a bad or good effect on companies suggest that the managers had some criteria for deciding whether or not a policy was in their interests. By deductive reasoning, it is obvious that the managers saw as good, an economic policy which lowered their costs, extended their markets, created a monopoly-like situation to their advantage, encouraged swift business operation, and which they participated in. They saw as bad an economic policy which made business operation inefficient, created environmental uncertainty, threatened management autonomy, restricted business expansion, and undermined their competitiveness. Such criteria help explain why there are policy issues which unite as well as divide business, since the criteria may be differently applied by different companies. These pragmatic criteria also help explain the ideological inconsistency discussed in Chapter 3.

**Figure 7-1: The Ex Post Facto Mode of Policy Interaction between Business and Government**



The research further studied the reaction of a company to government economic policies which had a bad effect on it (the *ex post facto* mode of policy interaction). The results are conceptually summarised in Figure 7-1. When negatively affected by a government economic policy, a company can choose whether to react to the government or not. The research found that the companies were likely take action or make complaints to the government if a policy affected them as an individual but did little or nothing if a policy affected the industry as a whole. It was also found that having decided to take action in response to a policy, the majority of the companies complained directly to the responsible government agencies in the case of individual company impact but channelled the action through business associations in the case of industry-wide impact.

It was found that when the companies did not take action in response to a policy which had a bad effect on them, the main reasons were that they did not think the action was worth the necessary time and effort, or that the government agencies responsible for the policy would listen to their complaints. In addition, in the case of individual company impact, the absence of clear or explicit ways of making complaints and the complexity of the complaints procedure also contributed to the companies' inaction.

Finally, the research findings suggest that the majority of the managers found the government's response to complaints made by business associations about an industry-wide impact more satisfactory than its response to complaints made by companies directly to the government about individual company impact. This could be due to the different nature of the two types of impact as well as the associated channels of action taken. As pointed out in the study of the ideological context (Chapter 4), Thai bureaucrats prefer business efforts to influence government economic policy to be channelled through business associations.

## **7.2 IMPLICATIONS**

The section will discuss the implications of the research findings for management and public policy.

### **7.2.1 Implications for Management**

As mentioned in Chapter 1, the interactional approach should be seen as the interface between the structural and behavioural approaches and the organisational approach. This research would be incomplete if it did not address the issue of how business managers should organise an internal mechanism to deal with the government. The more immediate questions facing the managers are: "Why should a company set up an internal unit to deal with the government?" and "What kind of company should have



one?"

***Setting-up a government relations unit.*** The findings of this research suggest that there are several reasons for companies to set up a mechanism for dealing with the government. First, as discussed earlier, the managers and the senior bureaucrats were not much different in their views of the role of the government and its relationship with business in the Thai economy. The senior bureaucrats encouraged private business to become involved in politics and participate in the government's economic-policy making. The overall government economic policy also seems to promote the interests of the business community. Such a pro-business environment, in terms of both ideology and practice, provides many opportunities and advantages as well as a positive basis for business to influence the government if a company is prepared and willing to make an effort to analyse the situation and compare its objectives with those of the prevailing government economic policy, and knows whom it should approach and when and how. The above state of preparedness and willingness is unlikely to be achieved without the existence of a government relations unit inside a company.

Second, the investigation of the research into institutional interaction shows that there is a considerable amount of government related activity going on inside companies. It was found that a company normally contacted a government agency once a month and developed some kind of relationship with up to 5 contact officials in the agency. Suppose a company deals extensively with 5 government agencies, it means one government dealing each week and a relationship with 25 government officials. This does not include the periods in which special issues concerning the government, such as industrial disputes, arise. These activities with the government certainly need to be organised, coordinated, and managed with a sense of direction. For instance, it would be rather awkward if a manager who was negotiating with a government agency were not aware of previous meetings that his colleagues had

already had with the agency.

Third, the investigation of the research into policy interaction suggests that the effort of business to influence a government economic policy in its implementation stage (the *ex post facto* mode) is often ineffective or greeted with less than satisfactory responses from the government. Therefore, a company should be able to monitor an emerging or forthcoming government economic policy and anticipate its likely impact on the company so that it has time to influence the policy or adapt itself in accordance with the policy.

Finally, recent political developments in Thailand have been in favour of democracy and are likely to be so for the foreseeable future. As with most democracies, new pressure groups such as environmentalists or consumer groups will emerge and the old ones such as labour unions will become stronger, exerting pressure on business as well as on government. The situation would be made worse for business if the government tried to shift this pressure onto business alone. Therefore, companies should be well prepared to deal with these emerging social pressures in Thailand.

All the above statements argue for the creation of a government relations unit inside a company. However, not all companies need to deal extensively with the government. The research findings show that big or Thai companies or those in industries with a great extent of government control deal more extensively with the government than small or foreign companies or those in industries with a small extent of government control. It was found that the business decisions of the former group of companies, such as pricing or production capacity and output levels were significantly linked to the government's economic policy. They have also developed more extensive personnel links with the bureaucracy and the government than have the latter group of companies. Thus, it should be the former group of companies which should be more concerned than the latter to develop a unit for dealing with the government and for coordinating their government-related activities. However, the

research found that only one out of the whole sample of 41 companies had a government relations division.

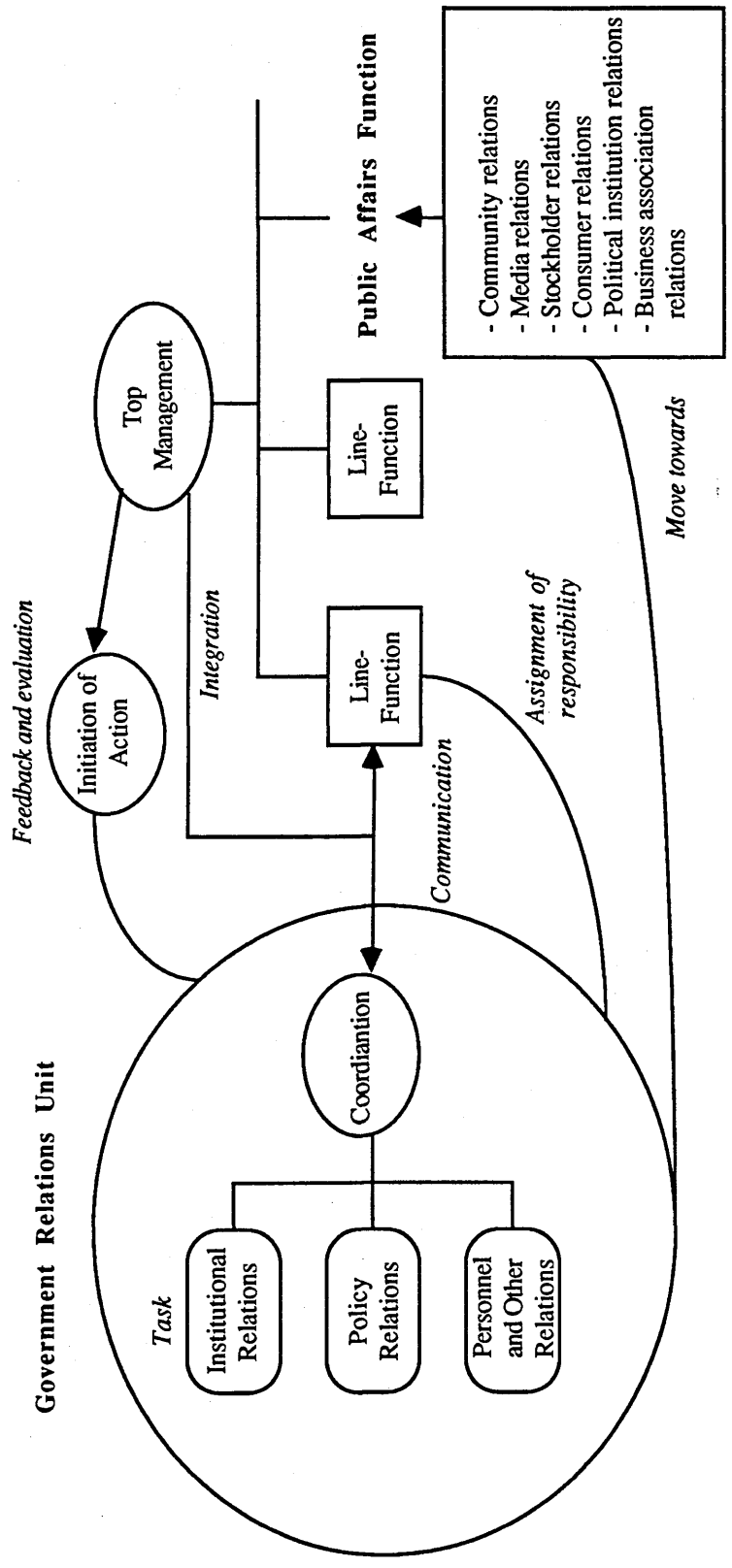
For a company which decides to develop a mechanism to handle its government-related activities, this research has several recommendations to offer. In view of the scarcity of resources in business competition, the immediate setting-up of a government relations unit would be too costly and unattractive to several companies. The alternative would be that a company could assign one of the line-managers or the chief executive to be primarily responsible for the management of government-related activities, depending on the nature of the company's dealings with the government, since it was found in this research that one senior manager was often more involved in the company's government-related activities more than the others.

Such an assignment of responsibility to a line manager or the chief executive officer as against the creation of a new government relations manager has two advantages. First, it is cost-effective since a company does not have to hire a new manager. Second, it helps overcome the problem of communication with other senior managers and facilitate the integration of the government relations task into the overall business policy. For example, as also pointed out by the literature, public affairs managers often lack the credibility to or fail to persuade their peers in board of directors meetings to take action on social issues because of other line-managers' lack of understanding of or insensitivity to the importance of external environment management.

Nevertheless, depending on the amount and nature of a company's dealings with the government, there should be a number of personnel permanently responsible for the operation of the government relations unit.

***Government relations tasks.*** If such an unit was initiated within a company, several government relations tasks, which were previously found to be fragmented and ad hoc, could be coordinated and effectively carried out.

**Figure 7-2: Government Relations Unit**



As shown in Figure 7-2, there are three major areas in which the government relations unit would operate: institutional relations, policy relations, and personnel and other relations. Institutional relations can be divided into routine and non-routine dealings with various government agencies. Routine dealings are mainly the compulsory contact discussed in this research, such as renewal of factory licences, tax payment, and export and import documentation. The non-routine dealings are often non-compulsory contact such as applications for investment or export promotion, price increase negotiations, foreign trade missions or exhibitions, and industrial dispute settlements.

On the other hand, policy relations with the government can be divided into the *ex ante facto* and *ex post facto* modes of dealing. In the *ex ante facto* policy relationship, the government relations unit would not only scan and identify emerging policy issues, but also anticipate and monitor their future development. The likely impact of policy issues, both in the form of disadvantages and opportunities, should be given appropriate priority and evaluated in the light of the company's present objectives and future plans.

In the *ex post facto* policy relationship, the unit would deal with government economic policies in their implementation stage. The impact of policies can be classified either as affecting the company as an individual or as affecting the industry as a whole. The research findings suggest that efforts to influence the government in the case of individual company impact are often less successful than in the case of industry-wide impact. However, the distinction between individual company impact and industry-wide impact is a matter of perception. For example, while the case of a company caught in the tension between two government agencies whose regulations are contradictory, may be taken as affecting the company individually, the company can also see it as a policy-level problem of the lack of coordination of government economic policy and get the relevant trade associations involved in the case. Thus, in certain cases of individual company impact, if a company can involve the participation

of the relevant business association, the success of its efforts to influence government economic policy may be enhanced.

Finally, the government relations unit would also be responsible for making and maintaining personnel links and other relationships with the government. For example, in view of the importance of human relations in the Thai work culture, the unit should make sure that it sends proper congratulations or condolences in times of success or misfortune in the lives of the regularly contacted bureaucrats. In addition, whenever possible, the mechanism should not hesitate to participate in other non-work activities of the government such as charities or sporting events. The goodwill achieved in these informal relationships would play an important role in the company's future institutional and policy relations with the government.

*Integration into business policy.* The above three government relations tasks are by no means separate but are closely related. Therefore, they should be coordinated within the government relations unit itself. For example, managers may use the information gained from informal relationships developed with bureaucrats during their routine dealings, in identifying emerging government policies.

The government-relations unit would communicate with other line-functions, giving up-to-date information about the company's external environment to other line-managers as well as receiving information about current internal activities from them. It would also report its operation to the top management so that its recommendations could be integrated into overall business policy. This is the point when the advantages of assigning the government relations task to one of the line-managers or chief executives are seen. Due to his acquaintance with other line-managers and with the nature of the company's business, that manager would experience no difficulty in translating the government relations unit's suggestions into action. For instance, the government-relations manager might initiate the action of modifying the company's new investment project in anticipation of an emerging government economic policy. Or, if possible, the company might opt for an offensive

strategy by taking political action to influence the emerging policy.

The link between the government relations unit and top management would be completed by the evaluation of the initiated actions and programmes and the feedback of the evaluation results.

However, the concept of a government relations unit may be too narrow for big companies and corporations. They may also have to deal extensively with the local community, media, stockholders, consumers, political associations, and business associations. In the long-term, these relations can be integrated into the government relations unit, forming the "public affairs function." At this stage the company would be able to stay in touch with its external environment through the "window" of the public affairs function and better manage the pressure from the larger society of which it is a part.

### 7.2.2 Implications for Public Policy

*Policy relationship.* The research findings also have several important implications for public policy. First, the government can benefit as much from the similarity of the views held by senior bureaucrats and managers about economics and the business-government relationship as business can. As Grant put it:

"It would be misleading to portray the relationship between business and government in terms of a political struggle between lobbyists and lobbied. There is an exchange relationship from which government secures three types of benefits: information for policy design; consent for policy clearance; and cooperation for policy cooperation."<sup>1</sup>

Bearing in mind that companies have a mass of information at their disposal, the government can use the personnel links developed during the institutional interaction discussed in this research to obtain information for policy formulation. Companies

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<sup>1</sup>Wyn Grant, *Business and Politics in Britain* (London: MacMillan, 1987), p.37.

should be more than willing to give the information since they would also gain something back from the cooperation, such as goodwill from bureaucrats. In addition, the research findings suggest that managers are eager and willing to enter into consultation with the government. The government could use this as a base for gaining their consent and cooperation in policy implementation.

In order to counterattack criticisms that such participation by businessmen would make a policy outcome biased, the government can use the "pluralistic tactic," as mentioned by a senior bureaucrat in Chapter 4, of bringing more businessmen or relevant parties into the dialogue between business and government. Such a tactic would create a negotiation environment which would reduce the dominance of a single company or interest group, since it is unlikely that the interests of all parties concerned would completely coincide and may even counterbalance each other. In addition, as one senior bureaucrat said in Chapter 3, the government is like theory and business is like practice; the business experience will keep the government policy in touch with reality.

***Policy targeting.*** Second, the research shows that even though overall, government economic policy is in favour of business, its benefits are apparently more concentrated within large companies than within small companies. While the prosperity of large companies should be maintained, for example for the reasons of the country's international commercial competitiveness, the growth of smaller companies should also be encouraged in order to ensure healthy local business competition and diversification. Therefore, some government economic policies should possess a discriminatory quality to distinguish between various types of company. For example, government investment or export incentives should be limited in duration or made contingent upon the size, annual turnover, profit rate, and performance of a company.



**Policy continuity.** Third, the Thai government seems to lack or is unable to carry out a clear, long-term industrial and commercial policy. To a certain extent, such policy uncertainty has prevented businesses from long-range planning and, at the same time, forced them into ad hoc coping with their external environment. Even though regular changes of government as a result of the less than stable political atmosphere, are partly responsible for this, unnecessary "surprise" regulations such as ministerial rules and notifications should be reduced. However, in an urgent case, if ministerial rules or notifications are necessary, they should be discussed with the parties concerned before becoming effective.

**Industrial infrastructure.** Fourth, the lack of infrastructure facilities mentioned by several managers in the research can cause long-term set-backs for the development of the economy. For example, the uncertain power supply is a major obstacle to the utilisation of industrial capacity and expansion. In addition, the lack of good transport networks, both in terms of quality such as bad road-surface conditions and quantity such as severe traffic jams within Bangkok and the surrounding provinces, also hinders industrial growth and expansion into rural areas. Long-term planning of infrastructure development both within Bangkok and other industrial provinces should be taken more seriously by all parties concerned. The government should speed up its privatisation programmes of state-enterprises so that more private funds can be drawn into infrastructure investment. The problem demands immediate attention and, more importantly, action from the government.

**Bureaucracy rationalisation.** Finally, the bureaucracy, the giant driving machine in the implementation of public policy and the day-to-day operation of the government, urgently needs further rationalisation. Even though there are now several joint public and private committees looking into the matter, the improvements in the bureaucracy are still less than satisfactory. In addition, the rationalisation and changes in various government departments should be coordinated.

### 7.3 FURTHER RESEARCH

Like most exploratory studies, this research has raised other questions which are more important than those it has already answered. In this section, the theoretical implications of the research findings are first pointed out and then future areas of investigation and research approaches are proposed.

#### 7.3.1 Theoretical Implications: Towards the Theory of Multiple Government-Business Relations

The principle theoretical implication of the research findings is that the macro-perspective theories, such as those of the Marxist and the pluralist schools, even though useful and necessary, are insufficient to bring out or even fail to recognise the multiplicity and complexity of government and business interaction. Examples of macro-perspective statements other than those of the strong-weak typology discussed in Chapter 1 are as follows.

"It is precisely in those countries in which employers have encountered a significant threat from an organized working class -countries such as Britain, Sweden, Norway, Austria and Germany- that employers, too, have created strong organizations. The USA, the country in which the challenge to capitalism has been the weakest, is also the country in which employers' organizations have been the weakest."<sup>2</sup>

"Political culture has played a vital role in shaping the political role and involvement of business. ...countries such as the USA in which the political culture has been highly favourable to business, the incentive to organise for the protection of businessmen's collective interests has been less than in political cultures more likely to sustain a challenge to business."<sup>3</sup>

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<sup>2</sup>Graham K. Wilson, *Business and Politics* (London: MacMillan, 1985). p.130.

<sup>3</sup>*Ibid.*, p.131.

"The political structure of a country exerts a powerful influence on the form of business-political involvement: countries which have a strong, centralised government are more likely to have strong, centralised interest groups."<sup>4</sup>

"In highly-concentrated economics, employers may thus be more likely to join interest groups than in less-concentrated economies... In economies which are extensively involved in international trade, the capacity of governments to plan the economy is reduced."<sup>5</sup>

At several points in the analysis of this research, it has been shown that government and business relations are non-homogeneous, dynamic and neither completely conflictual nor cooperative. As a result, the sweeping, static, aggregate statements of the macro-perspective theory such as those shown above become inadequate, despite their contextual usefulness.

In fact, in his literature review, Murray has touched upon the above shortcomings of the macro-perspective theory. He suggested that any analytical model or set of recommendations for improving government and business relations must simultaneously deal with intra-business and intra-governmental factors and the mechanisms of interaction, and be particularly sensitive to the subjective interpretation of reality highlighted by the interpretive school.<sup>6</sup>

In addition, in the light of this inadequacy of the literature, Wilks and Wright offered a new analytical framework as shown in Figure 7-3. The basic principle of the analytical framework shown is that the guidance offered by the macro-perspective theory such as the strong and weak dichotomy is not more than a first, and often inaccurate, approximation of the interpretation of government and business relations and a more fine-grained analytical schema is needed.<sup>7</sup>

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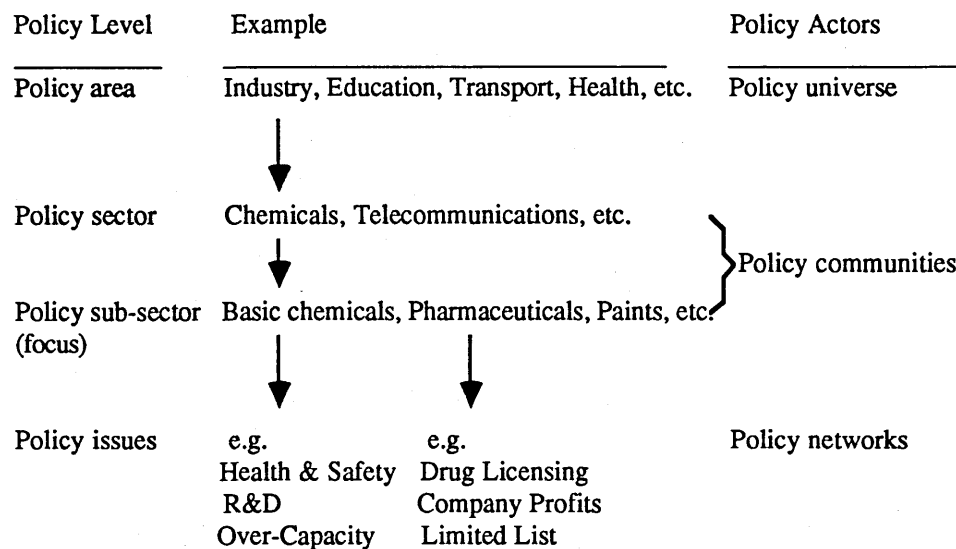
<sup>4</sup>Ibid., p.132.

<sup>5</sup>Ibid., pp.135-136.

<sup>6</sup>Victor V. Murray, "Business-Government Relations in Canada: A Conceptual Map," *Canadian Public Administration*, Vol.26, No.4 (Winter, 1983), p.608.

<sup>7</sup>Stephen Wilks and Maurice Wright, editors, *Comparative Government-Industry Relations*;

Figure 7-3: Framework for the Analysis of Policy Community



- (i) *Policy area or function* refers to discrete areas of government activity (industry, education, transport, housing, etc.) or functions of government (expenditure control, audit, establishments).
- (ii) *Policy universe* refers to all actors or potential actors with a direct or indirect interest in a policy area or function (e.g. industrial policy universe).
- (iii) *Policy community* refers to a group of actors or potential actors drawn from the policy universe whose community membership is defined by a common *policy focus*.
- (iv) *Policy focus* is identified by such qualities as product, service, technology, market, size of firm, 'batch'.
- (v) *Policy network* describes the general properties of the processes by which members of one or more policy communities interact in a structure of dependent relationships.
- (vi) *Policy issues and policy functions* provide the occasion or a policy network.

Source: Stephen Wilks and Maurice Wright, editors, *Comparative Government-Industry Relations; Western Europe, the United States, and Japan* (Oxford: Clarendon Press, 1987), pp.299-300.

Grant also came across the heterogeneous nature of government and business relations in his study of business and politics in Britain. While Fidler summarised the view of business power in Britain as follows: "the government that is, in practice, the cabinet plus senior civil servants, controls business, not business the government,"<sup>8</sup> Grant's data suggested that there is a closer relationship between business associations and the government in Britain than in other European

*Western Europe, the United States, and Japan* (Oxford: Clarendon Press, 1987), p.289.

<sup>8</sup>J. Fidler, *The British Business Elite* (London: Routledge & Kegan Paul, 1981), p.231, as quoted by Grant, *op.cit.*, p.7.

countries.<sup>9</sup> He explained this somewhat contradictory evidence by arguing that a distinction between the government relationship with business persons and with business association officials should be made. The distinction between the government relationship with large companies and with small companies is also important.<sup>10</sup>

The findings of this research have also shown that the interactional approach has much to offer in strengthening the weaknesses of the macro-perspective theory. First, though pursuing a rather different line of investigation, the interactional approach finally comes out with a conclusion similar to that of the policy community and network analysis. As shown in the earlier summary, the manufacturing companies' contact with the government clustered around a few government departments or two or three ministries, forming what is equivalent to the policy community defined previously by Wilks and Wright. Apart from being responsible for the intra-governmental disputes and the variation of business relationships with different government departments, the primary association between an industry sector and a particular section of the government may also explain the intra-business relationship. For example, as a result of such an association, companies from different sectors of industry as well as within the same sector may compete against each other to gain influence over a government agency or group of agencies.

Second, as mentioned in the earlier summary, the research shows that compulsory and non-compulsory interaction between companies and government agencies differ in terms of the basis of contact, influence, pattern of communication, significance of informal personnel and personal links, and the success of the interaction. These differences are rarely discussed by the macro-perspective theory in the analysis of the interaction. This research suggests that the distinction between the interaction which is voluntary and that which is legally compulsory is one of the explanations of why the business-government relationship is neither absolutely

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<sup>9</sup>Grant, *op.cit.*, p.7.

<sup>10</sup>Grant, *loc.cit.*

conflictual nor cooperative.

Third, with respect to policy interaction, the research shows that a company reacts to a policy which affects it as an individual and to that which affects the industry as a whole in a different manner. In addition, the means of reaction also differ in the two types of impact, as mentioned in the earlier summary of findings. This distinction further refines the explanation of why companies are more successful in their efforts to influence one government policy than in another, a refinement which the macro-perspective theory rarely achieves.

However, the arguments thus far should not be interpreted as completely rejecting the macro-perspective theory but rather as pointing to new approaches which strengthen and complement the existing literature. In fact, it is the macro-perspective which provides a base enabling the new approaches to make further refinement, distinction, classification and comparison of the business-government relationship. The direction taken by the new approaches is towards a "theory of multiple government-business relations," which, while having an overall view of the relationship, would also be sensitive enough to account for the multiple variations of interaction within the relationship itself.

### **7.3.2 Future Investigation**

Even though this research has answered certain questions on government and business relations in Thailand, there are still other important issues which need more research to be done.

Appropriate future research can be best seen in three dimensions: research approach (empirical, documentary and comparative), level of analysis (micro and macro), and theoretical approach (structural, behavioural, organisational and interactional). This study supports the trend in the literature of using an empirical and comparative research approach and micro-level analysis for the purposes of

grounding theory and improving the accuracy of description of government and business relations, as discussed in Chapter 1. The theoretical implications and the practical implications discussed earlier suggest that future research can greatly benefit from the interactional approach in terms of the advancement of the theory of government and business relations and new information for practitioners in their handling and understanding of the relationship.

More specifically, the interview schedules of this research can be directly used or modified for a comparative study of the relationship between the Thai government and other sectors, such as the banking sector. This could also be extended for the comparison of the same sector or industry in different countries, such as Malaysia, Singapore and Indonesia.

Further research in Thailand should now proceed to examine the internal organisation of company handling of government-related activities. Even though this research has emphasised both institutional and policy interaction, it has touched little upon a company's internal organisation and communication for its dealing with the government. In the light of the research finding that very often there is not a formal government relations unit within a company, further research may examine how a company's informal mechanism for dealing with the government operates. How effective, efficient, and adequate is this mechanism in its performance? How is the government relations task or function defined by managers? And do managers handle compulsory and voluntary dealings with the government differently?

Further research may also ask whether companies in Thailand have political strategies. What are these political strategies? How are they formed inside the companies? And how are they related to the companies' business policy and competitive strategy? This may lead to analysis of the intra-business policy relationship.

In addition, the implications for public policy suggest that research is needed into the intra-government relationship and the effectiveness of certain economic policies such as investment and export promotion.

Finally, as it is said "Bangkok is not Thailand." Government and business relations at provincial level should also be high on the agenda of future research.



## **Appendices**

- Appendix A      The Context of Government and Business Relations  
                         in Thailand**
- Appendix B      The Actors in Government and Business Relations in  
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## **Appendix A**

### **The Context of Government and Business Relations in Thailand**

**A.1 Introduction**

**A.2 The Economic Context: Structural Change in the Thai  
Economy**

**A.3 Sources of the Structural Change**

**A.4 The Political Context: Political Development in Thailand**

**A.5 Summary**

**APPENDIX A**  
**THE CONTEXT OF GOVERNMENT AND BUSINESS RELATIONS**  
**IN THAILAND**

**A.1 INTRODUCTION**

This appendix provides information about the economic and political development of Thailand. The first two sections will discuss the structural change in the Thai economy and the sources of the change. Later, a brief account of major political events in Thailand are given.

**A.2 THE ECONOMIC CONTEXT:**  
**STRUCTURAL CHANGE IN THE THAI ECONOMY**

With an average annual growth rate of gross domestic product (GDP) of approximately 50% in nominal terms and 12% in real terms between 1970 and 1988, the Thai economy can be said to have been performing very well. According to Table A-1, the GDP growth rate between 1970 and 1975 had been as high as 31% in real terms or 6% per annum. The figure rose considerably to 47% between 1975 and 1980 or 9% per annum but then fell back to 32% between 1980 and 1985 or 6% per annum. The growth rate of the economy (GDP) picked up slightly again to 13% between 1985 and 1987 or 6% per annum. The growth rate finally settled at a rather high figure of 11% between 1987 and 1988.

**Table A-1: Gross Domestic Product and Its Growth Rate (1970-1988)**

	Value (Million Baht)					
	1970	1975	1980	1985	1987	1988
GDP	147,385	303,319	658,509	1,014,399	1,234,030	1,465,736
GDP at 1972 price	155,694	204,428	299,472	394,113	446,361	495,374
	Total Growth Rate During the Period(%)					
	1970-1975	1975-1980	1980-1985	1985-1987	1987-1988	
GDP	105.80	117.10	54.05	21.65	18.78	
GDP at 1972 Price	31.30	46.49	31.60	13.26	10.98	
Sources:	Adapted and calculated from the Office of the National Economic and Social Development Board and the Bank of Thailand, as published in Thailand Development Research Institute Foundation, <i>Thailand Economic Information Kit</i> (Thailand Development Research Institute Foundation, May, 1989), Table 1.					

Considering the high growth rate of the GDP or in other words the rapid expansion of the economy, it is interesting to investigate further the development and performance of various components of the GDP. Is there a structural change in the economy or the production structure? Is there any particular sector which has contributed significantly to this rapid growth of the GDP? At the same time is there a decline in other sectors? If there is, what are the underlying factors for the decline of one sector and the prosperity of another? Two prominent developments of the economy can give satisfactory answers to these questions: the rapid growth of the manufacturing sector and the decline of traditional agriculture.

### A.2.1 Rapid Growth of the Manufacturing Sector

The high performance of the economy has been due largely to the rapid growth of the manufacturing sector. The evidence of this can be seen in its share of the GDP and of the total exports.

**Table A-2: Gross Domestic Product at Current Market Price by Industrial Origins (1975-1988)**

	Value (Million Baht)				
	1975	1980	1985	1987	1988
Agriculture	81,521	152,852	169,895	198,284	247,748
Mining & Quarrying	6,582	22,147	40,167	38,203	44,333
Manufacturing	56,636	139,936	224,456	295,512	357,851
Construction	11,594	34,764	56,824	62,995	74,524
Electricity & Water Supply	3,417	6,289	23,590	31,858	37,487
Transportation & Communication	16,790	37,863	78,076	92,947	106,834
Wholesale & Retail Trade	58,117	110,176	153,130	192,381	232,231
Banking, Insurance and Real Estate	8,019	19,926	35,988	48,671	60,032
Ownership of Dwelling	13,546	22,798	41,091	48,802	52,702
Public Administration and Defence	13,368	30,711	48,545	52,712	56,242
Services	33,669	81,047	142,637	171,665	195,572
GDP	303,319	658,509	1,014,399	1,234,030	1,465,736
	Share (%)				
	1975	1980	1985	1987	1988
Agriculture	26.88	23.21	16.75	16.07	16.90
Mining & Quarrying	2.17	3.36	3.96	3.10	3.02
Manufacturing	18.67	21.25	22.13	23.95	24.41
Construction	3.82	5.28	5.60	5.10	5.08
Electricity & Water Supply	1.13	0.96	2.33	2.58	2.56
Transportation & Communication	5.54	5.75	7.70	7.53	7.29
Wholesale & Retail Trade	19.18	16.73	15.10	15.59	15.84
Banking, Insurance and Real Estate	2.64	3.03	3.55	3.94	4.10
Ownership of Dwelling	4.47	3.46	4.05	3.95	3.60
Public Administration and Defence	4.41	4.66	4.79	4.27	3.84
Services	11.10	12.31	14.06	13.91	13.36
GDP	100.00	100.00	100.00	100.00	100.00

Source: The Office of the National Economic and Social Development Board, as published in Thailand Development Research Institute Foundation, op.cit., Table 3.

It can be seen from Table A-2 that of all four major components of the GDP (agriculture, manufacturing, the wholesale and retail trade, and services), the manufacturing sector is the emerging winner. Its share of the GDP had increased at an average rate of 2.4% per annum between 1975 and 1988. This is in contrast to the decreasing or very slightly increasing share of the other three major industries. The agricultural industry's GDP share had fallen at an average rate of 2.7% per annum during the same period and the wholesale and retail trade industry's at 1.3%. However, the services industry's share had expanded slowly at an average rate of 1.6% during the same period.

**Table A-3: Exports by Major Sectors (1982-1988)**

	Value (Million Baht)						
	1982	1983	1984	1985	1986	1987	1988 <sup>a</sup>
Agriculture	73,150	66,484	78,292	73,398	79,397	83,259	104,514
Fishing	7,636	8,225	8,684	10,590	14,853	18,163	20,466
Forestry	102	109	104	365	620	819	783
Mining	9,824	6,806	7,588	10,126	6,283	5,851	6,767
Manufacturing	63,025	61,358	76,095	95,615	129,170	188,031	266,129
Sample and Other	2,122	1,340	1,312	1,518	1,772	2,967	2,876
Unclassified Goods							
Re-Export	3,689	2,150	3,162	1,754	1,288	763	1,240
<b>Total</b>	<b>159,728</b>	<b>146,472</b>	<b>175,237</b>	<b>193,366</b>	<b>233,383</b>	<b>299,853</b>	<b>402,838</b>
	Share (%)						
	1982	1983	1984	1985	1986	1987	1988
Agriculture	45.80	45.39	44.68	37.96	34.02	27.77	25.94
Fishing	4.78	5.62	4.96	5.48	6.36	6.06	5.08
Forestry	0.06	0.07	0.06	0.19	0.27	0.27	0.19
Mining	6.15	4.65	4.33	5.24	2.69	1.95	1.68
Manufacturing	39.46	41.89	43.42	49.45	55.35	62.71	66.08
Sample and Other	1.33	0.91	0.75	0.79	0.76	0.99	0.71
Unclassified Goods							
Re-Export	2.31	1.47	1.80	0.91	0.55	0.25	0.31
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

Note: <sup>a</sup> Preliminary.

Source: Adapted from the Bank of Thailand, as published in Thailand Development Research Institute Foundation, op.cit., Table 5.

With respect to its share of the total exports, Table A-3 emphasises further the role of the manufacturing sector in the economy. The data clearly suggests the manufacturing sector's increasing share of the total exports. The growth rate of its export share had been as high as 11% per annum between 1982 and 1988 while other sectors' shares had either slightly increased or significantly decreased. For example, the agricultural and the mining industries' shares of the total exports had decreased at a rate of 7% and 12% per annum respectively during the same period. Since 1986 the manufacturing sector alone has accounted for more than half of the total exports (55% in 1986, 63% in 1987, and 66% in 1988).

*The principal manufactured exports.* The principal manufactured exports of Thailand are textile products and integrated circuits (see Table A-4). Due to the abundant supply of cheap labour, Thai textile products are quite competitive in the world market. It took a share of 25%, 26% and 22% of the total manufactured exports in 1985, 1987 and 1988 respectively (calculated from Tables A-3 and A-4). Similarly, the integrated circuits industry, enjoying the abundant cheap labour as well as the government promotional privileges, took shares of 9% and 8% of the total value of manufactured exports in 1985 and 1987 respectively (calculated from Tables A-3 and A-4).

*Other manufactured exports.* The growth of the manufacturing sector is not limited to those two industries mentioned above. Table A-4 shows a strong growth in the processed-food industry such as canned fish, canned pineapple, and frozen fowl. For example, the canned fish industry had a growth rate of 30% and 45% during 1985-1987 and 1987-1988 respectively. This strong growth was encouraged further by the strengthening of the Japanese yen which had pushed up the cost of canned food from Japan, a major producer and exporter of canned food, and by the accident at Chernobyl nuclear power plant which had caused great concern among Europeans

and forced them to turn to safer products from Asia.<sup>1</sup>

**Table A-4: Major Export Items (1985-1988)**

	Value (Million Baht)			Growth Rate (%)	
	1985	1987	1988 <sup>a</sup>	1985-1987	1987-1988
<b>Principal Exports</b>					
Rice	22,524	22,703	34,636	0.40	42.24
Rubber	13,567	20,539	25,984	20.73	23.52
Maize	7,700	3,928	3,662	-33.65	-7.01
Tapioca Products	14,969	20,661	21,685	16.11	4.84
Prawns	3,439	5,749	9,553	25.69	50.78
Tin	5,647	2,344	2,242	-43.96	-4.45
Sugar	6,247	8,573	9,394	15.83	9.15
Integrated Circuits	8,248	15,179	8,668	30.50	-56.03
Textile Products	23,578	48,555	58,379	36.12	18.43
Precious Stones	6,350	11,550	13,772	29.91	17.60
Total Principal Exports	112,269	159,781	187,975	17.65	16.25
Other	81,097	140,072	214,863	27.33	42.78
<b>Total</b>	<b>193,366</b>	<b>299,853</b>	<b>402,838</b>	<b>21.94</b>	<b>29.52</b>
<b>Other Exports</b>					
Frozen Fowl	1,467	4,020	5,009	50.40	22.00
Coffee	883	1,099	1,212	10.94	9.79
Fresh Fish	1,377	2,493	3,125	29.68	22.59
Canned Pineapple	3,292	3,728	4,671	6.22	22.55
Canned Fish	5,204	9,516	14,989	30.18	45.43
Leather Gloves	347	464	532	14.53	13.68
Artificial Flowers	913	1,486	2,032	24.36	31.29
Wall and Floor Tiles	315	671	894	37.81	28.69
Wood Products	1,901	3,740	4,019	33.84	7.19
Jute Products	1,561	1,697	927	4.18	-60.47
Footwear	2,368	5,915	9,624	45.77	48.68
Furniture and Parts	1,317	3,387	6,619	47.23	67.00
Plastic Products	1,262	2,215	5,465	28.13	90.31
Jewellery	2,168	8,257	9,690	66.86	16.00
<b>Total</b>	<b>24,375</b>	<b>48,688</b>	<b>68,808</b>	<b>34.59</b>	<b>34.59</b>

Note: <sup>a</sup> Preliminary.

Source: The Bank of Thailand, as published in Thailand Development Research Institute Foundation, op.cit., Table 6.

<sup>1</sup>International Business Research, *Million Baht Business Information Thailand 1988* (Bangkok: International Business Research, 1988), p.13.



Other industries such as footwear, furniture and parts, and plastic products, despite their small shares of the manufacturing sector, also became increasingly important, in the light of their high growth rates. The footwear industry had growth rates of 46% and 49% during 1985-1987 and 1987-1988 respectively, furniture and parts 47% and 67%, and plastic products 28% and 90% (see Table A-4).

### **A.2.2 Decline of the Agricultural Sector**

While the manufacturing sector of the economy is performing well with regard to its growth and exports, the equally important agricultural sector is in decline. It is apparent from Table A-2 that the agricultural sector's share of the GDP has been decreasing steadily. With a share of 27% in 1975, it was the biggest component of the GDP, but its share has fallen steadily and has finally been overtaken by the manufacturing sector's share for the first time in 1985. Since then its share of the GDP has been lacking further behind the manufacturing sector's share.

Moreover, according to Table A-3, the 1980s had seen a steady decline of the agricultural sector's exports. Considering a share of 46% of the total exports in 1982, nearly one half, the sector had performed rather poorly to register a share of 26% of the total exports, or only one quarter, in 1988 (see Table A-3). In 1985 its export share was surpassed by that of the manufacturing sector. Overall, between 1982 and 1988, the agricultural sector had had a negative growth rate of 7% per annum.

*The principle agricultural exports.* The principal agricultural products of Thailand are rice, rubber, tapioca products, sugar, and maize respectively. Table A-5 shows that these five major crops together take approximately a 90% share of the total agricultural exports. However, Table A-4 shows that the growth rates of these five major crops are quite uncertain. For example, during 1985-1987 rice had registered a growth rate of only 0.4% but the figure jumped to 42% during 1987-1988 while the rubber growth rate had improved slightly from 21% during 1985-1987 to 24% during

1987-1988. At the same time tapioca products, sugar and maize had performed rather badly. The tapioca growth rate had deteriorated from 16% during 1985-1987 to 5% during 1987-1988, and sugar from 16% to 10% during the same period. Finally, maize had had a negative growth rate of 34% and 7% during 1985-1987 and 1987-1988 respectively.

**Table A-5: Shares of Major Crops in the Total Agricultural Exports<sup>a</sup> (1985-1988)**

	Share (%)		
	1985	1987	1988
Rice	30.69	27.27	33.14
Rubber	18.48	24.67	24.86
Tapioca Products	20.39	24.82	20.75
Sugar	8.51	10.30	8.93
Maize	10.49	4.72	3.50
Others	11.44	8.22	8.82
Total	100.00	100.00	100.00

Note: <sup>a</sup> Calculated from Tables A-3 and A-4.

### A.3 SOURCES OF THE STRUCTURAL CHANGE

The structural change in the Thai economy can be attributed largely to four major factors: investment promotion privileges given by the government; gaps left behind by other newly industrialised countries (NICs) in Asia; exchange rate policy; and the decline in the prices of agricultural products. The details of each factor are discussed below.

#### A.3.1 Investment Promotion Privileges

One of the Thai government's industrial development strategies is to offer promotional privileges such as tax concessions and exemptions from customs duties

to targeted investment projects. These incentives help boost the feasibility of a great number of investment projects which would not otherwise have operated profitably. Table A-6 shows the number of applications, with their total investment value made to the Board of Investment (the agency responsible for the investment promotion policy in Thailand) for promotional privileges. The number of applications had increased from 188 projects in 1982 to 2,125 in 1988, representing about an eleven-fold increase, or from 20,313 million baht to 530,292 million baht during the same period, a twenty-six-fold increase in value. The number of applications approved had increased proportionately from 97 to 1,454 projects, representing a fifteen-fold increase, or from 9,168 to 200,894 million baht, a twenty-two-fold increase in value. The number of projects starting operations had also grown from 79 to 224, representing about a three-fold increase, or from 10,244 to 17,930 million baht, a two-fold increase in value.

**Table A-6: Investment Promotion (1982-1988)**

	Applications		Applications Approved		Projects Starting Operations	
	Number	Value (M Baht)	Number	Value (M Baht)	Number	Value (M baht)
1982	188	20,313	97	9,168	79	10,244
1983	342	56,079	140	8,989	107	10,924
1984	330	40,405	266	33,202	76	7,225
1985	325	59,583	210	54,197	78	8,201
1986	431	59,688	295	34,610	145	20,809
1987	1,058	209,029	625	67,290	172	18,577
1988	2,125	530,292	1,454	200,894	224	17,930

Source: Adapted from the Office of the Board of Investment, as published in Thailand Development Research Institute Foundation, op.cit., Table 18.

**Table A-7: Foreign Direct Investment (1981-1988)**

	Value (Million Baht)										Growth Rate		
	1981	1983	1985	1986	1987	1988 <sup>a</sup>	1981-83	1983-85	1985-86	1986-87	1987-88		
Agriculture	7.5	55.3	79.6	204.8	293.1	257.9	99.89	18.21	94.50	35.85	23.75		
Manufacturing	2914.4	2776.6	2118.2	2867.0	5599.2	13379.8	-2.42	-13.53	30.27	66.94	120.48		

Note: a The first three quarters of the year.

Source: Adapted from the Bank of Thailand, as published in Thailand Development Research Institution Foundation, op.cit., Table 16.

Moreover, the incentives have attracted a big inflow of direct foreign investment into Thailand each year, especially in the manufacturing sector. Table A-7 shows that the value of direct foreign investment in the manufacturing sector has been much higher than in the agricultural sector. While the growth rate of investment in the manufacturing sector had increased quickly and been as high as 67% and 121% during 1986-1987 and 1987-1988 respectively, that of the agricultural sector had decreased steadily to 24% during 1987-1988, compared to 94% during 1985-1986.

**Table A-8: Foreign and Domestic Investment in Export-Oriented Projects<sup>a</sup> (1983-1988)**

	Value (Million Baht)					
	1983	1984	1985	1986	1987	1988
Export	5,702	11,044	33,153	16,290	44,521	113,846
Number of Projects	52	114	124	167	483	1,057
Other	3,287	22,158	21,044	18,321	22,769	87,048
Number of Projects	88	152	86	128	142	397
Total	8,989	33,202	54,197	34,610	67,290	200,894
Number of Projects	140	266	210	295	625	1,454
	Share (%)					
	1983	1984	1985	1986	1987	1988
Export	63.43	33.26	61.17	47.07	66.16	56.67
Number of Projects	37	43	59	57	77	73
Other	36.57	66.74	38.83	52.93	33.84	43.33
Number of Projects	63	57	41	43	23	27
Total	100.00	100.00	100.00	100.00	100.00	100.00
Number of Projects	100	100	100	100	100	100

Note: <sup>a</sup> Export-oriented projects are those projects which export 80-100 % of their production output.

Source: Adapted from the Office of the Board of Investment, as published in Thailand Development Research Institute Foundation, op.cit., Table 21.

According to Table A-8, a growth trend of export-oriented projects is also evident. The export-oriented projects' average share of the total value of promoted

investment had been over 50% between 1983 and 1988 and their share of the total number of projects promoted had also been over 50% between 1985 and 1988.

### **A.3.2 The Gap Left behind by Other NICs in Asia**

The second major source of the structural change is the gap in the international market of basic manufactured products resulting from the transition of the other Asian NICs towards products other than traditional labour intensive manufactured exports such as textiles. The newly industrialised countries (NICs) in Asia such as Korea and Taiwan have reached a point where they are no longer competitive in most of these items. Korea is turning towards more capital and technology intensive exports such as automobiles, and Taiwan is currently flooding the world market with compatible desktop computers.<sup>2</sup> The businessmen in Thailand seem to have been sensitive to this opportunity and quick to grasp it. Therefore, the manufactured exports from Thailand are penetrating quickly into the world market and filling the gap.

### **A.3.3 Exchange Rate Policy**

The third source is the exchange rate policy that has been pursued by the government in recent years. The baht-dollar exchange rate has changed relatively little since the end of 1985, with a slight overall appreciation of the baht against the dollar of about 3%. However, during that time the dollar had depreciated against the yen by 32%, against the Deutsch mark by 31%, and against the pound by 14%. Thus, the baht has significantly depreciated against the currency of Thailand's major trading partners.<sup>3</sup> This stable and slightly depreciation-oriented exchange-rate policy has partly made the

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<sup>2</sup>Chalongphob Sussangkarn, *Production Structures, Labour Markets and Human Capital Investments: Issues of Balance for Thailand*, Offprint No.7, reprinted from the NUPRI (Nihon University Population Research Institute) Research Paper Series, No.46 (1988) (Thailand Development Research Institute Foundation, 1988), pp.4-5.

<sup>3</sup>Ibid., p.5.

price of Thai exports competitive in the world market.

### A.3.4 The Decline in Agricultural Products Prices

The fourth major source of the structural change is the trend in commodity prices since the early 1980s.<sup>4</sup> Table A-9 shows a declining trend in the prices of all major crops between 1980 and 1986. The average export price per ton of rice fell by 8% per annum, rubber fell 4%, tapioca 1%, sugar 14%, and maize 5% between 1980 and 1986. Even though the prices of all major crops picked up in 1987, they, except that of tapioca, are still well below the price levels in 1980.

**Table A-9: Export Price per Ton of Major Crops (1980-1987)**

	Price (Baht per Ton)				
	Rice	Rubber	Maize	Tapioca	Sugar
1980	6,968	27,145	3,314	2,853	6,586
1981	8,697	22,962	3,243	2,625	8,557
1982	5,948	17,429	2,943	2,527	5,861
1983	5,798	21,235	3,192	2,961	4,124
1984	5,618	21,969	3,227	2,527	4,205
1985	5,545	19,663	2,768	2,112	3,623
1986	4,491	19,867	2,308	3,021	3,708
1987(9m)	4,683	22,133	2,298	3,316	4,344
Growth (80-86) <sup>a</sup>	-8.12	-3.62	-4.68	-0.94	-13.48

Note: <sup>a</sup> The average growth between 1980 and 1986 calculated by log regression.

Source: The Bank of Thailand, as published in Chalongphob Sussangkarn, *Production Structures, Labour Markets and Human Capital Investments: Issues of Balance for Thailand*, Offprint No.7, reprinted from the NUPRI (Nihon University Population Research Institute) Research Series, No.46 (1988) (Thailand Development Research Institute Foundation, 1988), Table 5, p.12.

<sup>4</sup>Ibid., p.10.

## A.4 THE POLITICAL CONTEXT: POLITICAL DEVELOPMENT IN THAILAND<sup>5</sup>

The modern political development of Thailand can be said to have started in the 1900s. Under the influence of Western ideology, the bureaucracy which was developed to administer modern Siam (Thailand's former name) soon acquired beliefs which clashed with the principle of royal absolutism and patronage. The climax of this opposition to the traditional absolute monarchy was reached in 1932 when a bloodless coup brought to an end the absolute rule of King Prajadhipok (Rama VII, 1925-1935). Between 1932 and the present, political development in Thailand can be generally divided into four periods: the military-bureaucratic rule period (1932-1973); the democratic revolution period (1973-1976); the short revival of military rule (1976-1979); and the semi-democratic period (1980-1988)). At present (1989) Thailand can be said to be in full democracy since the present prime minister was elected, not appointed as in the semi-democratic period.

### A.4.1 The Military-Bureaucratic Rule (1932-1973)

In 1932, a group of European-educated radicals led by Pridi and Maj. Phibun and backed by one of the highest ranking commanders, Col. Phahon, successfully staged a bloodless coup against the country's long tradition of absolute monarchy. Then Phahon became the prime minister. However, real power later shifted towards Phibun who was largely responsible for defeating the abortive coup led by Prince Bowaradet to restore the monarchist system. Phibun finally replaced Phahon as prime minister in 1938. Faced with the ethnic Chinese economic success in Thailand and the

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<sup>5</sup>This section is an abstract from several pieces of writing about Thailand, for example, Europa Publications, *The Far East and Australia 1989* (London: Europa Publications, 1989); Clark D. Neher, *Modern Thai Politics* (Cambridge: Schenkman, 1979); Fred W. Riggs, *Thailand: The Modernization of a Bureaucratic Polity* (Honolulu: East-West Center Press, 1966); and John L. Girling, *Thailand: Society and Politics* (Ithaca: Cornell University Press, 1981).



dominance of the British in the region, he pursued an anti-Chinese and anti-Western campaign and favoured the Japanese in order to balance the British threat. In the early 1940s Phibun joined the Japanese in declaring war on Britain and the United States. Consequently, when the war ended, he was removed and went into exile. Seni was made prime minister in 1945. In 1946, Pridi, one of the leaders of the 1932 revolution, himself became prime minister. In the same year King Ananda (Rama VIII) died in mysterious circumstances. Pridi was forced to resign, and Phibun regained power and became prime minister again in 1948. Later, in 1957, Sarit emerged as a new powerful army commander. In the light of the vote-rigging election of 1957, he seized power and finally became prime minister in 1958. His rule was characterised as authoritarian. Sarit died in 1963. Gen. Thanom succeeded as prime minister. In 1972 the students became politically active and demonstrated against the military regime which was overthrown in October 1973.

#### **A.4.2 The Democratic Revolution (1973-1976)**

The 1973 student-led revolution brought changes in Thai politics. The long military rule was ended and pressure groups were formed. However, the governments of this period had little authority and were rather unstable. A caretaker regime under a university rector, Sanya Thammasak, was appointed by the King following the collapse of Thanom's regime. Later, a coalition government was formed after an election held in 1975 under Kukrit. It lasted for less than a year and the new election in 1976 brought his brother, Seni, into power. But, again, the regime was still weak and unable to keep public order. The military then took this opportunity to seize power again in 1976.

#### **A.4.3 The Short Revival of Military Rule (1976-1979)**

In 1976 the military-dominated national administrative reform council took over power, banned political parties, dissolved the national assembly, and set up a government which was headed by a supreme court judge, Thanin. However, his government was overthrown in the following year by a military coalition headed by the armed forces commander-in-chief, Gen. Kriangsak. He restored some elements of democracy and presided over three cabinets. In March 1980, due to his government's failure to find proper solutions to economic problems, Kriangsak was replaced by the army commander-in-chief and defence minister, Gen. Prem.

#### **A.4.4 The Semi-Democratic Period (1980-1988)**

Prem's regime, like Kriangsak's, was based on a combination of military and civilian leaders. Ultimate power lay with the armed forces, but the political parties played a major role in linking the military, civilian bureaucrats, and business interests. Prem's rule, like his predecessor's, was marked by indecisiveness and instability, and he was nearly removed by two army coups in April 1981 and September 1985. Prem headed five cabinets between 1980 and 1988. He unexpectedly dissolved the parliament in April 1988. The election in the following July resulted in a coalition government formed by the Chat Thai Party, the Social Action Party, the Democratic Party, the United Democratic Party, and the Mass Party. Prem was invited to continue heading the coalition government, but he refused the invitation. The Chat Thai leader, Chatchai Choonahavan, then became prime minister. There was widespread scepticism concerning his leadership and competence following the appointment. However, the scepticism has largely subsided since November 1988 and he is gaining in popularity.

## A.5 SUMMARY

The 1980s saw a rapid transition in the Thai production structure from basic agricultural produce to manufactured products. This transition has been largely due to several major factors. First, the investment incentives designed by the government have induced a large number of new projects in the manufacturing sector. Second, several of the manufactured products of these new projects have managed to find gaps in the market abroad, especially the markets of labour-intensive industry created by the transition of other Asian NICs to technology-intensive industry. Third, the depreciation of the baht against other major currencies has also helped to make Thai manufactured exports more competitive abroad. Finally, the world commodity prices seem to be on a downward trend.

With regard to political development, Thai politics have been rather unstable and dominated to a large extent by the country's military establishment. After experiencing several coups since the revolution against the absolute monarchy, Thailand moved away from the bureaucratic polity between 1932 and 1973, through the period of change and instability between 1973 and 1979, to the semi-democratic period between 1980 and 1988, and is now enjoying full-democracy. The growth of interest groups and the middle class has also been marked.

## **Appendix B**

### **The Actors in Government and Business Relations in Thailand**

**B.1 Introduction**

**B.2 The Thai Public Administration System**

**B.3 The Thai Business Community**

**B.4 Representation of the Private Sector and Some Relevant  
Legal Aspects**

**B.5 Summary**

**APPENDIX B**  
**THE ACTORS IN GOVERNMENT BUSINESS RELATIONS**  
**IN THAILAND**

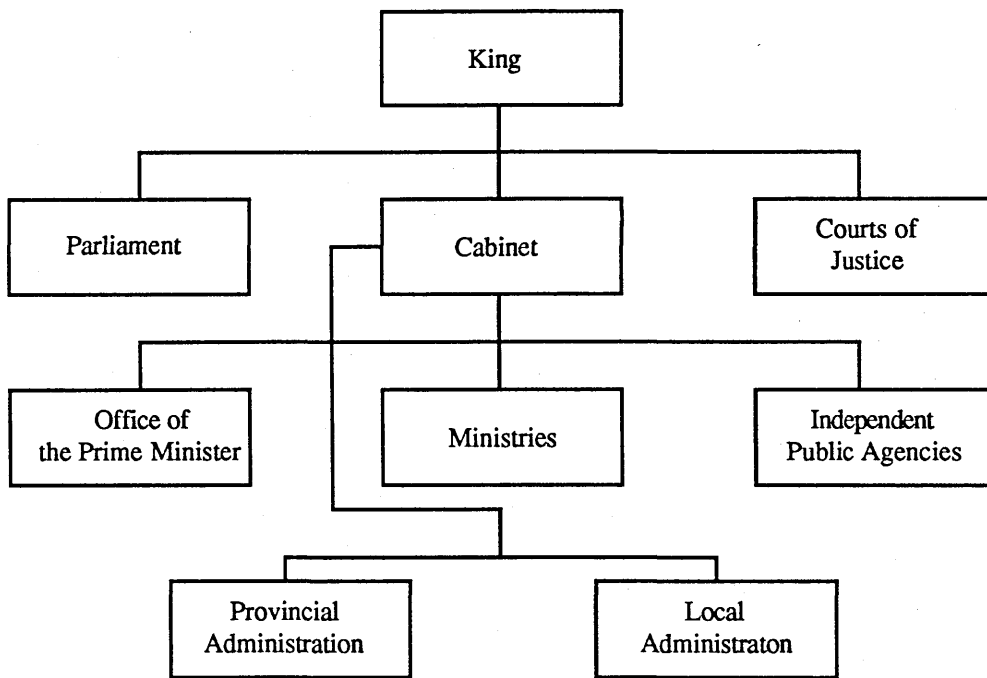
**B.1 INTRODUCTION**

The structure of the Thai government and major characteristics of the Thai business community will be presented in this appendix. It will also generally describe the representation of business by the Thai Chamber of Commerce, the Federation of Thai Industries, and the Thai Bankers Association. In addition, some relevant legal aspects governing representation are discussed.

**B.2 THE THAI PUBLIC ADMINISTRATION SYSTEM**

Thailand practices democracy under a constitutional monarchy with the King as head of state. Under the present Thai constitution (1978), His Majesty the King delegates administration of the Thai state to three branches: the executive branch represented by the cabinet; the legislative branch represented by the parliament with an elected lower house (the house of representatives) and an appointed upper house (the senate); and the judicial branch represented by the courts of justice (see Figure B-1). The division of the administration into various ministries or equivalents is as shown in Figure B-2.

**Figure B-1: Thai Government Organisation Chart**

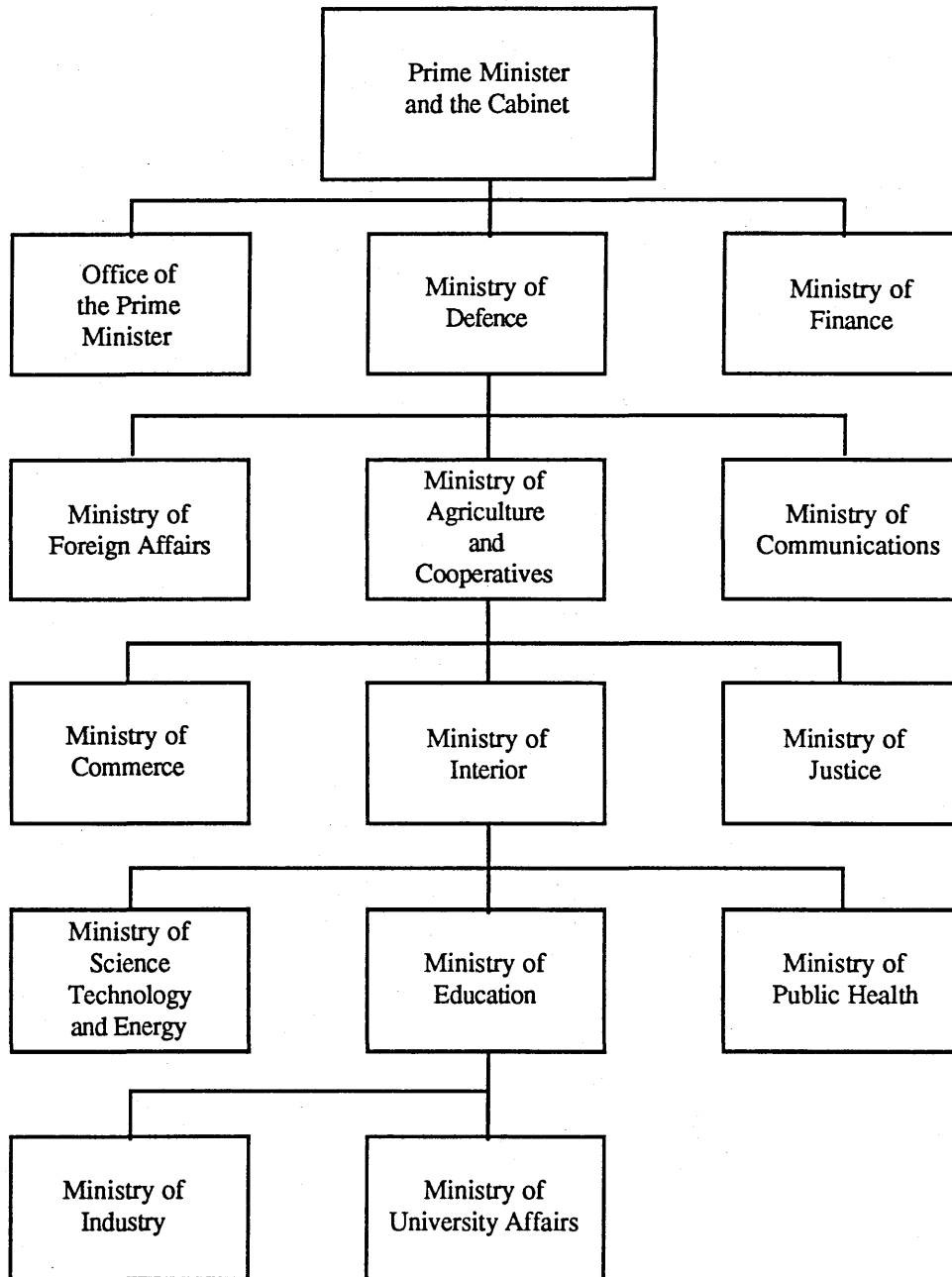


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Source: National Institute of Development Administration, *Thai Government Organization Charts* (National Institute of Development Administration, December, 1987), p.ii.

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Figure B-2: Ministerial Organisation



Source: Ibid., p.iii.

### B.3 THE THAI BUSINESS COMMUNITY

Several major characteristics of the Thai business community, some of which are common among the developing countries in Asia such as Malaysia, Indonesia and the Philippines, are as follows.

*Chinese dominance.* During the past several centuries, Chinese immigrants came to Thailand and became traders, labourers, and artisans, and soon occupied a dominant position in the commercial sector of the economy. After the signing of the Bowring treaty in mid-nineteenth century, Thailand became involved in international trading. Even though some Thais exploited this opportunity but it was the Chinese who were quicker to seize the opportunity and finally dominated the commercial sector.<sup>1</sup>

*Control of big business by a small number of rich families.* The ownership of big business groups is in the hands of a few families (mostly with Chinese origins). In 1978 it was found that three fourths of the total assets of the financial sector belonged to only five groups of commercial banks and that business concentration tended to increase. A similar concentration was also found in export businesses and important manufacturing industries.<sup>2</sup>

*Prevalence of shared ownership within big business groups.* The Thai pattern of big business ownership is quite different from that of the Japanese. While Japanese "zaibatsu" families do not share ownership with other families, Thai business families are more willing to do so.<sup>3</sup>

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<sup>1</sup>Kirkiat Pipatseritham and Kunio Yoshihara, *Business Groups in Thailand*, Research Notes and Discussion Paper No.41(Singapore: Institute of Southeast Asian Studies, 1983), p.10.

<sup>2</sup>Kirkiat Pipatseritham, *Vikroa Luksana Karnpenchaokong Thurakit Kanad Yai Nai Prathet Thai* (An Analysis of the Ownership Pattern of Big Businesses in Thailand) (Bangkok: Thammasat University Press, 1982), p.368.



*Businesses are Bangkok-based.* Almost all major business activities take place in Bangkok, especially those of big business. Even though this is true in most countries, in Thailand there is a tendency to carry the concentration to the extreme.<sup>4</sup>

*The importance of political patronage.* In Thailand, if a business family wants to stay competitive, it is essential to have patrons in the government. The level of business dependence on the government has been even stronger in Thailand than in Japan.<sup>5</sup>

*Original capital accumulation through trading.* Most families presently controlling big business in Thailand first gained their capital through trading and later diversified into other fields.<sup>6</sup>

*Dependence on foreign capital and technology.* Dependence on foreign capital and technology is particularly common among industry-centred groups, but companies in the financial fields are largely wholly Thai-owned. Manufacturing companies, especially those set up under the import substitution policy, depend heavily on foreign capital and technology.<sup>7</sup>

#### **B.4 REPRESENTATION OF THE PRIVATE SECTOR AND SOME RELEVANT LEGAL ASPECTS**

The representation of the Thai private sector is quite different from those of other countries in that it is not under one organisation but three private institutions: the Thai

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<sup>3</sup>Pipatseritham and Yoshihara, op.cit., p.18.

<sup>4</sup>Ibid., p.20.

<sup>5</sup>Ibid., p.25.

<sup>6</sup>Ibid., p.15.

<sup>7</sup>Ibid., p.19.

Chamber of Commerce, the Federation of Thai Industries, and the Thai Bankers Association.

#### **B.4.1 The Thai Chamber of Commerce (TCC)**

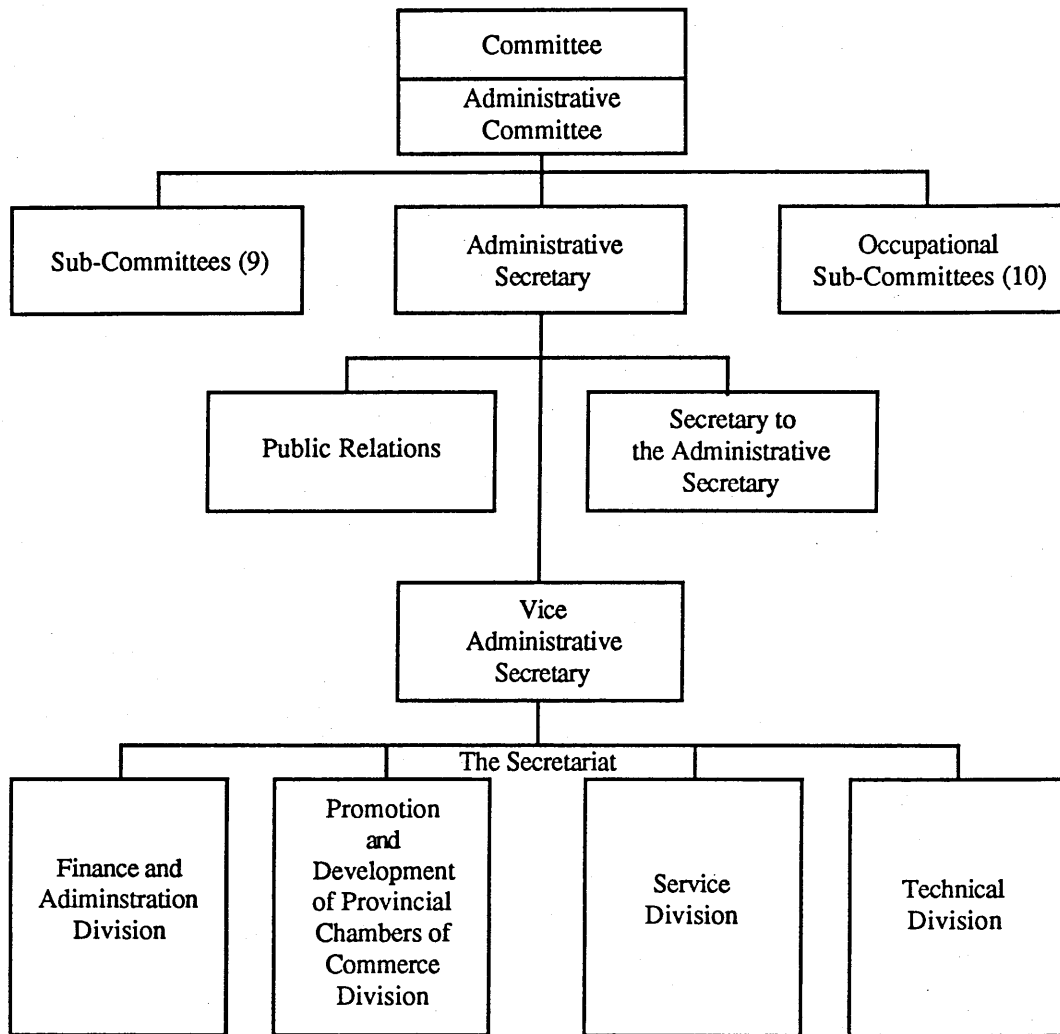
*Objectives.* It was established in 1933 and later registered as a chamber of commerce in 1966 when the Chamber of Commerce Act, B.E. 2509 (1966) came into use. The present Thai Chamber of Commerce has the following objectives:

- i) To promote enterprises in the interests of trade, industry, agriculture, finance, and the general economy, by collecting statistics, disseminating trade information, researching the economy, promoting tourism, issuing certificates of origin of goods, standardising the quality of goods, staging trade exhibitions, and negotiating commercial conflicts.
- ii) To give consultation and make suggestions to the government on issues concerning national economic development.
- iii) To give consultation and make suggestions to members on matters concerning trade, industry, agriculture, finance, or the economy and facilitate the members' business operations.
- iv) To make coordination between businessmen and government officials.
- v) To help and promote charities.
- vi) To perform other functions according to the Chamber of Commerce Act and those assigned by the government.
- vii) The Thai Chamber of Commerce is not involved in politics.<sup>8</sup>

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<sup>8</sup>Joint Standing Committee on Commerce, Industry and Banking, *Khana Kamakarn Ruam Sam Sataban* (Joint Standing Committee on Commerce, Industry and Banking) (1986), p.14.

Figure B-3: Organisation of the Thai Chamber of Commerce



Source: Adapted and translated from Joint Standing Committee on Commerce, Industry and Banking, *Khana Kamakarn Ruam Sam Sataban* (Joint Standing Committee on Commerce, Industry and Banking) (1986), p.20.

**Organisation.** The organisation of the Thai Chamber of Commerce is as shown in Figure B-3. The committee of the Thai Chamber of Commerce is elected from its ordinary members. According to the Chamber of Commerce Act, B.E. 2509 (section 24), the total number of committeemen must not exceed 31 persons, with a minimum of 3 representatives from provincial chambers of commerce, and an election will be held every 2 years. However, due to the protest from provincial chambers of

commerce, the number of representatives from provincial chambers of commerce has been increased to 12 persons, each of whom is head of regional group of provincial chambers of commerce, and the number of committeemen to 29 persons.<sup>9</sup>

The committee appoints the administrative committee with the chairman of the committee as chairman of the administrative committee. The administrative committee consists of a chairman, vice chairmans (not less than one), and a secretary.<sup>10</sup>

Besides the two committees, there are also 9 sub-committees serving various functions of the TCC, 10 occupational sub-committees, and the secretariat consisting of 4 divisions (finance and administration, promotion and development of provincial chambers of commerce, service, and technical) under the administrative secretary.

**Membership.** According to the Chamber of Commerce Act (section 19 and 20), the members of a chamber of commerce, consequently the members of the Thai Chamber of Commerce since it is Bangkok's chamber of commerce, are of four categories: ordinary, extraordinary, associate, and honorary. Only ordinary members can be elected as committeemen. Ordinary members are Thai persons, business firms in which the majority of partners or shareholders are of Thai nationality, trade associations more than one half of the total members of which are of Thai nationality, state enterprises, or cooperatives. Foreign subsidiaries or business organisations, the majority shareholders of which are of nationalities other than Thai, can only be associate members.

#### **B.4.2 The Federation of Thai Industries (FTI)**

**Objectives.** The FTI was first established as the Association of Thai Industries in

<sup>9</sup>Manoot Watanakomen, *Khana Kamakan Ruam Pak Rataban Lae Ekachon Pua Khaekai Panha Tang Settakij: Karn Suksa Dan Karn Borihan* (The Joint Public and Private Consultative Committee for Solving Economic Problems: A Study of Its Administration) (Bangkok: Thailand Development Research Institute Foundation, 1989), p.40.

<sup>10</sup>Joint Standing Committee on Commerce, Industry and Banking, *op.cit.*, p.19.

1967 under the Trade Association Act, B.E. 2509 (1966) and later upgraded to its present status in 1987 under the Federation of Thai Industries Act, B.E. 2530 (1987). The present FTI has the following objectives.

- i) To be the centre for businessmen in every industry in Thailand.
- ii) To be the centre for members to exchange opinions in the interests of industry.
- iii) To create and promote friendship among businessmen in various industries.
- iv) To research, publicise, and promote up-to-date knowledge and technology concerning the manufacturing sector and commerce.
- v) To create unity and stability in the country's industries.
- vi) To promote the new generation of industrialists, both in terms of quantity and quality.
- 7) To contribute to charity.
- 8) To perform other functions promoting the prosperity of the country's industries.<sup>11</sup>

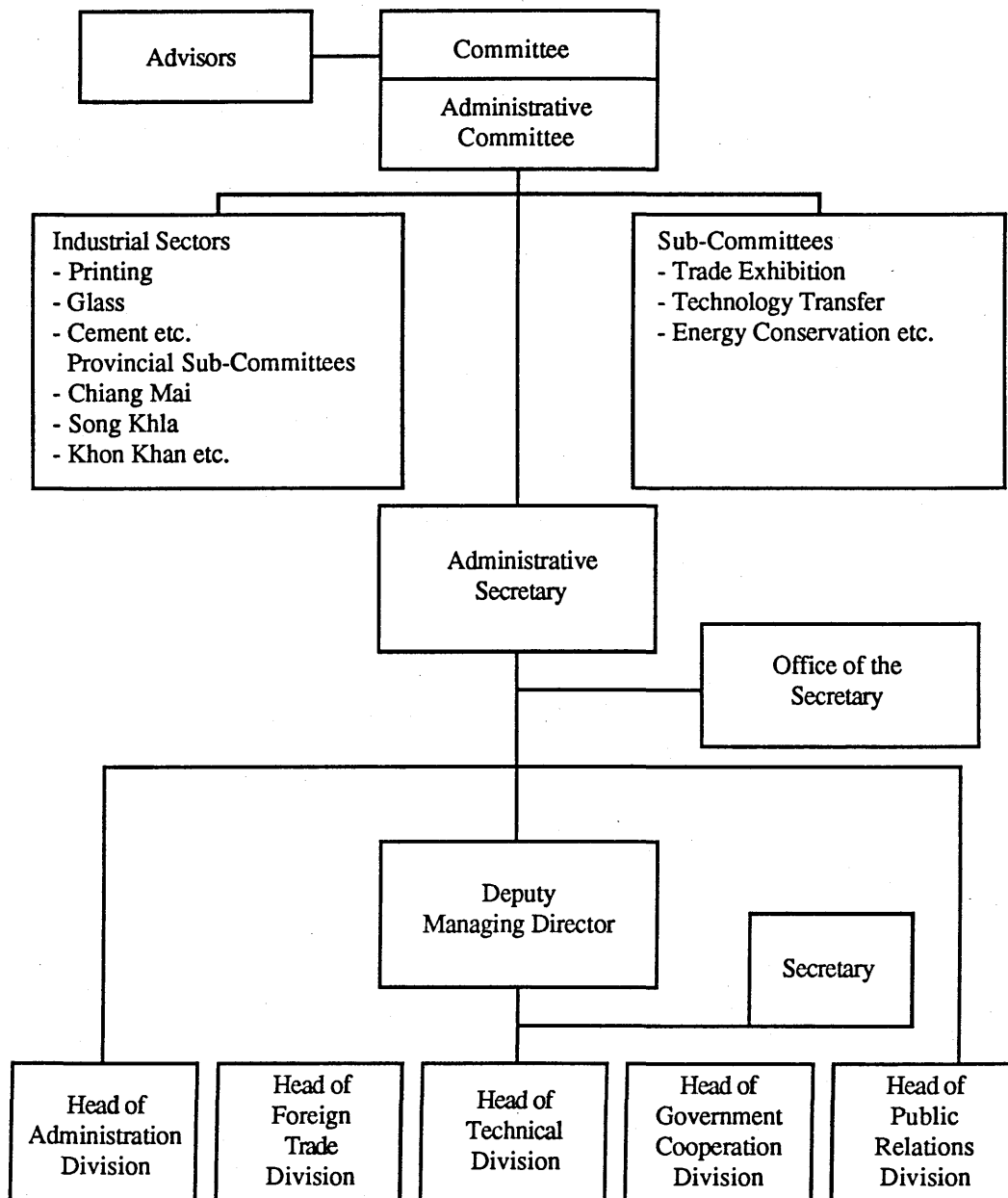
**Organisation.** The organisation of the Federation of Thai Industries is as shown in Figure B-4. The committee of the FTI consists of 90 committeemen (60 elected and 30 appointed). The committee meets and elects 23 persons as the administrative committee which will stay in office for 2 years.<sup>12</sup> The operation of the FTI is divided into 2 major sections: first, the industrial sectors (equivalent to trade associations) and provincial sub-committees which look after the problems of various industries and provinces; and second, the sub-committees which take care of more specific problems such as technology and energy.

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<sup>11</sup>Ibid., p.25.

<sup>12</sup>Watanakomen, op.cit., p.28.

Figure B-4: Organisation of the Federation of Thai Industries



Source: Adapted and translated from *ibid.*, p.28.

The secretariat under the administrative secretary is divided into five divisions (administration, foreign trade, technical, government cooperation, and public relations) and responsible for the normal operation of the FTI.

**Membership.** The FTI has 2 categories of members: ordinary and associate members. Ordinary members are registered industrial companies and trade associations; associate members are those which can not be classified as ordinary members.<sup>13</sup>

#### **B.4.3 The Thai Bankers Association (TBA)**

**Objectives.** The TBA was established in 1958 and later registered as a trade association in 1967. The present objectives of the TBA are as follows.

- i) To promote Thai banking.
- ii) To support and help the members in resolving difficulties including negotiations with outside parties concerning mutual interests.
- iii) To create a consensus among members so that the banking business operates in an orderly fashion.
- iv) To promote study and research in banking, trade, finance, and the economy, and publicise the findings.
- v) To ask for statistics and documents from members with their consent.
- vi) To cooperate with the government in promoting trade, industry, agriculture, finance, or other businesses.
- vii) To make suggestions concerning finance and banking to relevant governmental agencies and other institutions.
- viii) To communicate with other financial institutions, trade associations, and other institutions, both within and outside the country.
- ix) To conform with the objectives stipulated in the Trade Association Act.
- x) All objectives of the TBA are not involved with politics.<sup>14</sup>

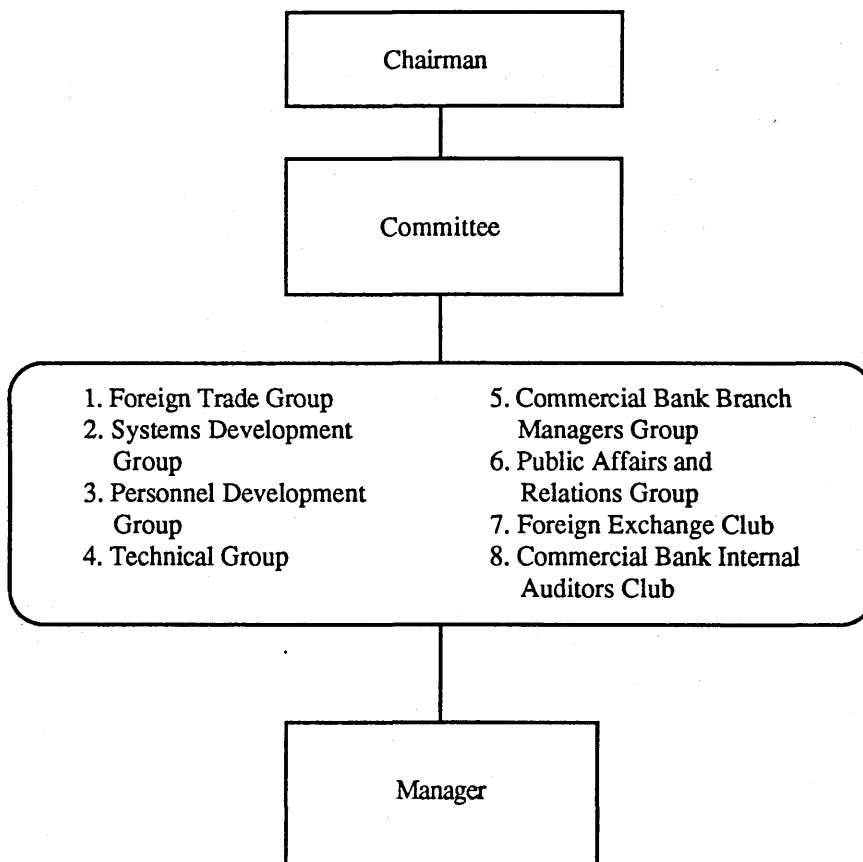
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<sup>13</sup>Joint Standing Committee on Commerce, Industry and Banking, op.cit., p.29. and Watanakomen, op.cit., p.28.

<sup>14</sup>Joint Standing Committee on Commerce, Industry and Banking, op.cit., p.33.

**Organisation.** The organisation of the TBA is as shown in Figure B-5. A group of members of the TBA are elected as the committee and chairman. The TBA is divided into 6 groups (foreign trade, systems development, personnel development, technical, commercial bank branch managers, and public affairs and relations) and 2 clubs (foreign exchange and commercial bank internal auditors). There is also a manager who acts as coordinator between the TBA members.

**Figure B-5: Organisation of the Thai Bankers Association**



Source: Adapted and translated from *ibid.*, p.36.

**Membership.** The members of the TBA are of 2 categories: ordinary and honorary. Ordinary members are those commercial banks registered in Thailand; honorary members are persons unanimously invited by the committee to join the



association.<sup>15</sup>

From the objectives of the three private institutions described, it can be seen that each institution has its own sphere of representation. Roughly, the Thai Chamber of Commerce represents the commercial and trading sector, the Federation of Thai Industries the manufacturing sector, and the Thai Bankers Association the banking and financial sector.

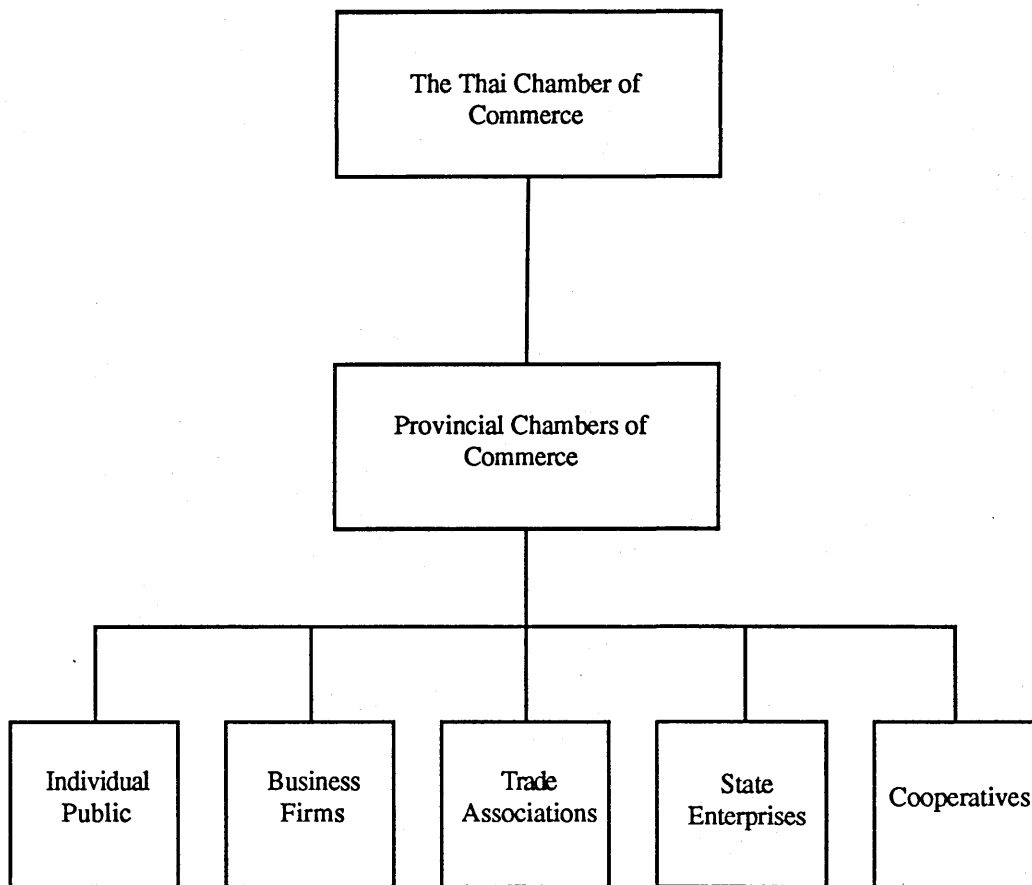
Besides this unique representation of the Thai private sector under three organisations, there is another interesting point worth mentioning here. In principle, the TCC has a higher hierarchical status than the FTI and TBA since the TCC is classified as a (central) chamber of commerce while the FTI and TBA are classified as a federation and a trade association respectively (the FTI was registered as a trade association until 1987). The members of a chamber of commerce can be the general public, business firms, trade associations, state enterprises, and cooperatives while the members of a trade association are the general public and business firms.

Furthermore, the TCC is supposed to be the national peak institution of private representation since the Chamber of Commerce Act, B.E. 2509 stipulates that each province can have only one chamber of commerce (section 14) and it must be a member of the TCC, the chamber of commerce of Bangkok (section 20). The hierarchy of representation is as shown in Figure B-6. In contrast, trade associations are not allowed to establish branches (Trade Association Act, B.E. 2509 (1966), section 8). However, the FTI and TBA, registered as trade associations, get around this regulation by creating the FTI's provincial sub-committees and provincial bankers' clubs respectively.

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<sup>15</sup>Ibid., p.34.

**Figure B-6: The Hierarchy of Business Organisations in Thailand**



Source: Adapted and translated from Hor Karn Kha Thai (Thai Chamber of Commerce), *Khu Mue Karn Jadtang Hor Karn Kha Jungwat* (Handbook of Provincial Chambers of Commerce Registration) (Bangkok: Thai Chamber of Commerce, 1984), p.14.

One of the reasons for the representation under three institutions may lie in the problem of leadership of the representation. The leaders of the three private institutions do not seem to have confidence among themselves to the extent that they can feel assured that their own sector's interests would be equally looked after if the leaders of others sectors were to assume single as against shared leadership of the representation. In fact, the establishment of the Association of Thai Industries (now the Federation of Thai Industries) in 1967 was a defection from the Thai Chamber of Commerce since nearly all of its members then used to be members of the Thai

Chamber of Commerce.<sup>16</sup> In addition, when the Federation of Thai Industries Bill was debated in parliament in 1987, there were protests from chambers of commerce all over the country that this would reduce the status of chambers of commerce equal to that of trade associations, create an "industrial mafia," and finally destroy the Thai Chamber of Commerce.<sup>17</sup>

However, forced by necessity rather than willingness, the three institutions managed to get together and form the Joint Standing Committee on Commerce, Industry and Banking (JSCCIB) in 1977. The JSCCIB conducts major private sector dialogues with the government (for more detailed discussion of the JSCCIB, see Appendix D). Each institution takes its turn in assuming the leadership of the JSCCIB.

There is no prospect of single representation in the near future, since the present scheme of a joint committee is working well. Nevertheless, a kind of cross- or inter-membership of committees has been developing among the three private institutions; that is, several persons are present in more than one of the committees of the three institutions at the same time.<sup>18</sup> If this pattern of committee inter-membership among the institutions increases, which is likely as several big business groups are diversifying into other sectors of the economy, then finally a form of single representation might be possible when similar groups of people assume the leadership of the three institutions.

#### **B.4.4 Control Over Trade Associations and Chambers of Commerce**

The extent and direction of government control over trade associations and chambers of commerce is reflected in the "non-involvement-in-politics" policy objective stated by the Thai Chamber of Commerce and the Thai Bankers Association. Montri

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<sup>16</sup>Watanakomen, *op.cit.*, p.27.

<sup>17</sup>*Ibid.*, p.29.

<sup>18</sup>See the lists of names of the committeemen in Joint Standing Committee on Commerce, Industry and Banking, *op.cit.*, pp.37-42.

Chenvidyakarn summarised the government policy towards business associations as follows:

"Public policy towards associations in Thailand has always been authoritarian. Such a policy persistently pursued throughout all historical periods has been applied to all types of associations without exception. Sponsorship, encouragement, manipulation are among the measures used in controlling the associations besides registration, supervision, and dissolution. Also distinctive is the policy's invariable emphasis on depoliticization of associational activities."<sup>19</sup>

The non-involvement-in-politics policy of business associations is due to the stipulation in both the Trade Association Act, B.E. 2509 (1966) (section 23) and the Chamber of Commerce Act, B.E. 2509 (section 30) that a trade association or a chamber of commerce shall not carry on a political activity. The reason for this stipulation is quite understandable since the law was drafted during the authoritarian regime and in such a regime, pressure groups including trade associations and chambers of commerce are generally bound to be suppressed.

In addition, it is stipulated in the two acts that the Registrar (Director-General of the Department of Internal Trade, Ministry of Commerce) can either refuse or accept an application to establish a trade association or chamber of commerce. Several measures were proposed to make trade associations and chambers of commerce readily accountable to the Registrar. For example, the Registrar has the power to issue a written order requiring a director to appear or explain a fact concerning the activities of the trade association or chamber of commerce, or to send documents concerning its operation or minutes of its meetings; any change in the membership or amendment in the regulations must be reported to the Registrar; and its annual report and balance sheet must be delivered to the Registrar.

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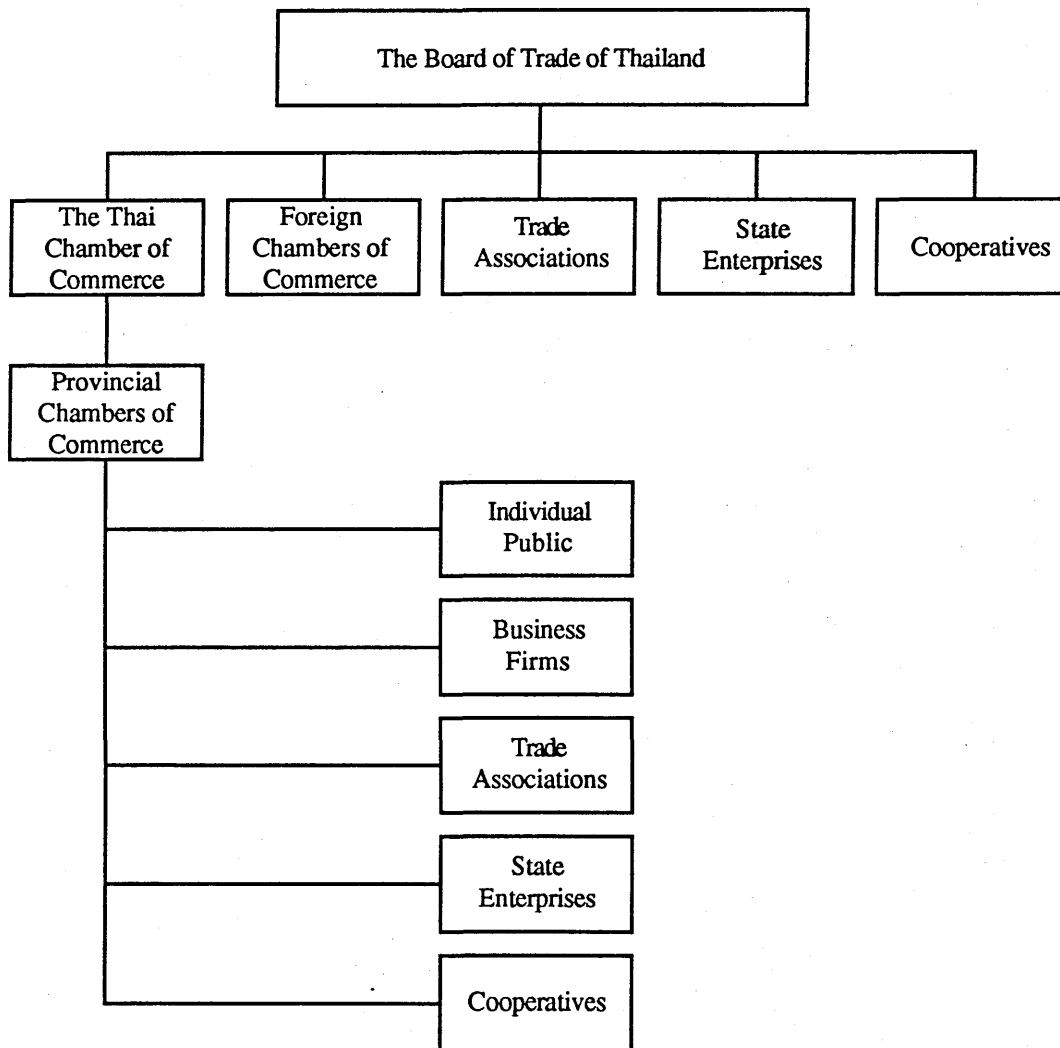
<sup>19</sup>Montri Chenvidyakarn, *Political Control and Economic Influence: A Study of Trade Associations in Thailand*, unpublished Ph.D. dissertation (University of Chicago, 1979), p.138.

*Board of Trade.* Besides being readily accountable to the government, the hierarchical structure of trade associations and chambers of commerce make them easily controlled and manipulated by the government. The centralised organisation of business representation is not only shaped by the stipulation in the Chamber of Commerce Act mentioned previously, that only one chamber of commerce can be established in a province and must be a member of the Thai Chamber of Commerce, but also by the stipulation that the chairman of the Thai Chamber of Commerce is automatically the chairman of the Board of Trade of Thailand (BoT) (Chamber of Commerce Act, B.E. 2509, section 24). The Board of Trade is the centre of all kinds of business enterprises and associations. According to the Chamber of Commerce Act, section 24, its committee is made up as follows.

- i) The chairman of the Thai Chamber of Commerce as the Board of Trade's ex-officio chairman.
- ii) Two vice chairmans: the Board of Trade will elect the first vice-chairman from the committeemen of the Thai Chamber of Commerce and the second vice-chairman from the committeemen of the foreign chambers of commerce in Thailand.
- iii) Every chairman of a foreign chamber of commerce as a committeeman.
- iv) Members representing the trade associations, totaling four in number, elected by the general meeting of the Board of Trade, as committeemen.
- v) Members representing the Thai Chamber of Commerce of the number equal to those of the committeemen in (iii) and (iv) together, elected by the general meeting of the Board of Trade, as committeemen.
- vi) Members representing the state enterprises and the cooperatives societies, totalling six in number, appointed by the Ministry of Commerce, as committeemen.

The relationship between the Thai Chamber of Commerce, the Board of Trade, and the provincial chambers of commerce is as shown in Figure B-7.

**Figure B-7: The Relationships between the Board of Trade of Thailand, the Thai Chamber of Commerce, and Provincial Chambers of Commerce**



Source: Adapted and translated from *ibid.*, p.16.

The centralisation of the structure of business associations under the Board of Trade in which the Thai Chamber of Commerce, supported by the government, holds nearly half of the membership of the committee, together with the limitation of the establishment of foreign chambers of commerce within Bangkok (Chamber of Commerce Act, section 14) and the prohibition of trade associations from establishing

branches, has made the representation of the private sector easily controlled and manipulated by the government.

### **B.5 SUMMARY**

It can be seen that business in Thailand has been largely dominated by the Chinese immigrants. Big businesses are controlled by a small number of families and jointly owned by a few business groups. Almost all of these business groups are Bangkok-based and have patrons in the government. The business groups first accumulated their capital through trading and later diversified into other industries. However, the majority of industrial firms still rely on foreign capital and technology.

The representation of the Thai private sector comes under three institutions: the Thai Chamber of Commerce, the Federation of Thai Industries, and the Thai Bankers Association. There is not likely to be a single body representative of the private sector in the near future, since the present scheme of the Joint Standing Committee on Commerce, Industry and Banking, formed by the three institutions, is working well.

The government policy toward business associations is to control. The most distinctive feature of this control is the depoliticisation of the associations. This should be expected since the law was drafted and enacted by previous authoritarian regimes.

## **Appendix C**

### **Government and Business Relations in Thailand: A Macro-View**

- C.1 Introduction**
- C.2 The Prevalence of Clientelism in the Bureaucratic Polity  
Period (1932-1973)**
- C.3 Towards Direct Participation and Group-Based Lobbying  
(1973 Onwards)**
- C.4 Forces Underlying the Transition of the Relationship**
- C.5 Summary**



**APPENDIX C**  
**GOVERNMENT AND BUSINESS RELATIONS IN THAILAND:**  
**A MACRO-VIEW**

**C.1 INTRODUCTION**

This appendix will discuss the development of government and business relations in Thailand since 1932. It investigates what the forms of the relationship used to take, and how the relationship has changed and why. The first section will deal with the practice of clientelism between 1932 and 1973 and the second section with the emergence of the newer forms of business influence -direct participation in public policy-making and group-based lobbying- from 1973 onwards. The third section will identify the factors underlying the change in the form of the relationship between government and business.

**C.2 THE PREVALENCE OF CLIENTELISM**  
**IN THE BUREAUCRATIC POLITY PERIOD (1932-1973)**

The business-government relationship between 1932 and 1973 was developed in the context of, among other things, a major political revolution. In 1932 a group of relatively young European-educated Thais overthrew the country's traditional absolute monarchy in an attempt to replace it with parliamentary democracy. However, the success of the revolution resulted in a political system in which the Cabinet, a ruling committee of the executive branch, was the main arena for political rivalry. The competitors in the arena were mainly from either the military or civil bureaucratic elite. Riggs wrote:

"...the goal of the revolution was not to establish a popular constitutional government but rather to place commoner officials in the cockpit of power and to organize a polity that would rule on the behalf of the bureaucracy (bureaucratic polity)."<sup>1</sup>

Most political activities, as a result, concentrated on competition for ministerial posts. Cliques and factions, bound together by ties of friendship and long-standing acquaintance, were formed to compete with each other for the posts. This political competition was based on small ideological differences and little effort to attract popular votes.<sup>2</sup>

Similarly, Suriyamongkol and Guyot described the kind of bureaucratic polity created after the revolution as having two major characteristics. First, the bureaucracy, led by strong military men, ruled the country with immunity from the control and direction of extra-bureaucratic forces. In other words, no pressure groups or interest groups outside the bureaucracy itself could be formed or were strong enough to exert influence on the operation of the bureaucracy. Second, the resulting politics played across the shifting lines of personal factions rather than through such social structures as formal organisations, classes, or interest groups.<sup>3</sup>

This political revolution took place during a huge influx of aliens, especially Chinese immigrants, into Thailand. The Chinese immigrants quickly took control of trade and commerce which the ethnic Thais evidently found unattractive and left to aliens. In contrast, the Thais were more in favour of joining the civil service, which gained them religious merit through its association with the King. Business was something left to people they regarded as pariahs. Therefore, the aliens, particularly the Chinese, emerged as commercial intermediaries in the traditional society

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<sup>1</sup>Fred W. Riggs, *Thailand: The Modernization of a Bureaucratic Polity* (Honolulu: East-West Center Press, 1966), p.312.

<sup>2</sup>*Ibid.*, pp.211-212.

<sup>3</sup>Pisan Suriyamongkol and James F. Guyot, *The Bureaucratic Polity at Bay* (Bangkok: National Institute of Development Administration, 1986), p.4.

characterised by a two-fold division of the population -the peasantry and the ruling officialdom.<sup>4</sup>

However, the subsequent development of nationalism since the end of the Second World War and the Thais' resentment of the Chinese economic success put a great amount of pressure on the Chinese business community. In the light of these attitudes, the government created a nationalistic policy: the Thai-ification programme which consisted of the establishment of semi-official enterprises and tight business control. Skinner described the government control on business as follows:

"Most of these measures ... were impracticable, ineffective, or abortive. ...all these threats (business controls) and developments were ... the unremitting government pressure on Chinese businesses in 1951-1952... No one knew when his particular line of business might be reserved for Thais or subjected to strict control, when the lease of his shop or title of his business property might be challenged, or when his business might be inspected by revenue officials or raided by police. Few businessmen in Bangkok found it possible to operate profitably entirely within the letter of the endless laws, decrees, and programs officially adopted by the government. In these circumstances bribery, squeeze, and the pay-off have become common features of business functioning in Thailand."<sup>5</sup>

At the same time the government also created a number of state and semi-official enterprises to take over some of the economic role of the Chinese. Therefore, faced with the Thai-ification programme and widespread corruption within the government and the bureaucracy, the Chinese found it necessary to develop business ties with influential Thai officials for several reasons.

Skinner reasoned that, first of all, such ties were helpful if not essential in obtaining routine licences and permits. Second, the business ties offered greater security from police interrogation, extortion, or arrest. And third, besides giving routine business facilitation and security, the ties also yielded special privileges for

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<sup>4</sup>Ibid., p.19.

<sup>5</sup>William G. Skinner, *Leadership and Power in the Chinese Community of Thailand* (Ithaca: Cornell University Press, 1958), p.190.

the Chinese businessmen.<sup>6</sup>

He also stated that the Chinese businessmen had several ways of effecting business alliances or connections with influential Thai officials to secure their permanent support. First, the Chinese businessmen reorganised many of their commercial and financial corporations to include top government officials and other members of the Thai elite on the boards of directors. Second, new corporations were formed on a cooperative pattern, whereby the Chinese supplied the capital and entrepreneurial skill and the Thai officials supplied protection for the Chinese, official privileges, and in some cases, government contracts. And third, Chinese businessmen with Thai citizenship joined semi-official Thai enterprises in a managerial capacity.<sup>7</sup>

In effect, the business-government relationship between 1932 and 1973 resulted in clientelism -a complex pattern of vertical linkages arising from the exchange of protection and support between a powerful personage (patrons) and a shifting array of lesser actors (clients).<sup>8</sup> Businessmen antagonistically cooperated with influential government officials. The influence of business groups on the government was minimal and affected the policy of the state mainly in an informal, ad hoc and clientelistic manner.

### **C.3 TOWARDS DIRECT PARTICIPATION AND GROUP-BASED LOBBYING (1973 ONWARDS)**

However, the clientelistic form of government and business relations did not dominate for long. Since the student revolution in October 1973, which overthrew the authoritarian government, newer forms of the relationship have emerged. They are direct participation in public policy-making and group-based lobbying by

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<sup>6</sup>Ibid., pp.303-304.

<sup>7</sup>Ibid., pp.191-192.

<sup>8</sup>Suriyamongkol and Guyot, op.cit., p.8.

businessmen.

### C.3.1 Direct Participation

Before this, businessmen generally refrained from open and direct participation in government and politics, while bureaucrats -active or retired, civilian or military- constituted the major group controlling political power. However, more recently, businessmen seems to have gained major political roles and influence.<sup>9</sup> This can be reflected by the occupational distribution in the House of Representatives and in Thai cabinets.

**Table C-1: The Percentage Distribution of the Occupations of Members of the House of Representative (1933-1986)**

Date of Election	Business	Bureaucrats	Lawyers	Farmers	Others
Nov 1933	19.2	34.6	26.9	10.3	9.0
Nov 1937	19.8	51.7	15.5	5.5	6.5
Nov 1938	22.0	39.6	16.5	7.7	14.2
Jan 1946	20.8	44.8	17.7	7.3	9.4
Aug 1946	11.0	61.0	18.3	4.9	4.8
Jan 1948	22.2	34.4	28.3	6.1	9.0
Jun 1949	33.3	19.1	28.6	4.8	14.2
Feb 1952	20.3	27.7	35.8	3.3	12.9
Feb 1957	26.3	28.8	27.5	6.9	10.5
Dec 1957	27.5	26.3	23.1	8.1	14.0
Feb 1969	45.7	20.6	16.0	5.5	12.2
Jan 1975	34.6	12.3	17.5	8.6	27.0
Apr 1976	29.4	22.2	11.8	5.7	32.9
Apr 1979	37.2	18.4	13.6	8.6	22.2
Apr 1983	38.3	10.2	10.2	4.3	37.0
Jul 1986	24.8	6.9	9.2	3.5	55.6

Source: Data between 1933 and 1983 is adapted from Pisan Suriyamongkol and James Guyot, *The Bureaucratic Polity at Bay* (Bangkok: National Institute of Development Administration, 1986), Table VII, p.33. Data of 1986 is from Anek Laothamatas, "Business and Politics in Thailand: New Patterns of Influence," *Asian Survey*, Vol. XXVII, No.4 (April,1988), p.454.

<sup>9</sup>Anek Laothamatas, "Business and Politics in Thailand: New Patterns of Influence," *Asian Survey*, Vol. XXVII, No.4 (April, 1988), p.452.

**Table C-2: Businessmen in Thai Cabinets (1963-1986)**

Prime Minister	Beginning Date of Cabinet	Number of Businessmen	Percent	Total
Sarit	Feb 1963	0	0.0	14
Thanom I	Dec 1968	1	5.6	18
Thanom II	Mar 1969	1	4.0	25
Sanya I	Oct 1973	4	14.3	28
Sanya II	May 1974	3	9.7	31
Seni	Feb 1975	8	26.7	30
Kukrit	Mar 1975	16	59.3	27
Seni	Apr 1976	11	35.5	31
Thanin	Oct 1976	1	5.0	17
Kriangsak I	Nov 1977	2	6.1	33
Kriangsak II	May 1979	9	20.9	43
Kriangsak III	Feb 1980	5	13.2	38
Prem I	Mar 1980	17	45.9	37
Prem II	Jan 1981	12	30.0	40
Prem III	Dec 1981	17	41.5	41
Prem IV	May 1983	21	47.7	44
Prem V	Aug 1986	21	47.7	44

Source: Data between 1963 and 1983 is adapted from Suriyamongkol and Guyot, *op.cit.*, Table VIII, p.34. Data of 1986 is from Laothamatas, *op.cit.*, Table 2, p.454.

Tables C-1 and C-2 present concrete evidence of the increasing proportion of members with a business career in the House of Representatives between 1933 to 1986 and in Thai cabinets between 1963 to 1986 respectively. The figures also indicate that businessmen started penetrating into the government as early as the late 1960s.

The direct participation of businessmen in politics and government is not limited to the House of Representatives and the Cabinet but also extends to the political parties. The leadership of the three major political parties -Chat Thai, Social Action, and Democrat- is now controlled by big business. Chat Thai Party's leadership has been dominated by big business from the beginning; the defection of some factions from the Social Action Party has left it with a majority of leaders with a background in big business; and even more notable is the fact that the Democrat Party, traditionally the mainstay of the middle classes, is now permeated by big business.<sup>10</sup>

<sup>10</sup>*Ibid.*, p.453.

### C.3.2 Group-Based Lobbying

During the bureaucratic polity period the practice of exerting influence on the government through formal trade associations was hardly known. The situation improved slightly during the 1970s. This happened probably because trade associations had gained more experience and were seen by businessmen as an additional channel for exerting influence on the government without having to give up the clientelistic practice.

Montri Chenvidyakarn stated that trade associations had developed several tactics and strategies to influence the government. The best known are as follows.

i) **Market influence:** Members of trade associations might collude to restrict trade in ways which would create trouble for consumers or the national economy and obtain more bargaining power with the government.

ii) **Multi-pronged pressure:** This is a tactic whereby associations try to influence the government by applying pressure at different points at the same time to maximise the chances of achieving a particular goal. One of the most popular ways is sending letters voicing their grievance to several appropriate bodies.

iii) **Holding seminars:** Seminars are used as an arena for associations to meet government agencies to make necessary modifications and adjustments.

iv) **Contributions to charities:** Trade associations make contributions to charities with the primary aim of influencing the attitudes towards the associations of the government agencies and high officials who are personally identified with particular charitable projects.

v) **Social functions:** Parties, luncheons and dinners organised by trade associations are used to establish relationships with senior administrative officials.

vi) **Protests:** This strong tactic to defend their interests may be used, should circumstances leave them with no other alternatives.<sup>11</sup>

But, the activities and roles of trade associations during the 1970s were still relatively minimal and limited despite the change from a military regime to a democratic one between 1973 and 1976. As Montri Chenvidyakarn again put it:

" Functional associations did not grow in number, did not become highly active, did not exert any great impact on political and policy matters, with the exception of labour unions... In fact, little was heard of their operations; their activities were rarely reported in the news media. They went on interacting with the bureaucrats and shunned contacts with other political centers and pressure groups. Probably, they were fully aware of the few benefits they would have gained from the new involvements. For this reason, functional associations, especially trade associations, play little role in the period of open politics."<sup>12</sup>

However, trade associations had become increasingly active in the 1980s. News about complaints, grievances, and demands from chambers of commerce and trade associations was reported almost daily in the business sections of news media. A content survey of an established semi-weekly business newspaper found that the frequency of reports on the activities of trade associations and chambers of commerce jumped from practically none between 1979 and 1978, to 8 per month between 1985 and 1987. From 1979-1981, the early years of semi-democracy, to 1985-1987, the figures increased by about 87%.<sup>13</sup> Moreover, business associations have developed several modern tactics for influencing the government such as giving press conferences and conducting research to generate data to support their arguments and causes.

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<sup>11</sup>Montri Chenvidyakarn, *Political Control and Economic Influence: A Study of Trade Associations in Thailand*, unpublished Ph.D. dissertation (University of Chicago, 1979), pp.382-411.

<sup>12</sup>Ibid., pp.450-451.

<sup>13</sup>Laothamatas, op.cit., p.457.



**Table C-3: Frequency of Government Contacts by Trade Associations**

Level of Contact	Number of Respondents		
	Often	Moderately	Seldom
1. Ministerial Level or Equivalent	5	22	20
2. Permanent-Secretary Level or Equivalent	5	16	26
3. Director-General Level if Equivalent	19	26	6
4. Parliamentary Committees	5	9	28
5. Individual MPs	4	8	23

Source: Adapted from Laothamatas, *op.cit.*, Table 3, p.458.

Trade associations concentrated their lobbying and other influencing activities on the executive branch of the government during the 1980s. Anek Laothamatas has recently conducted a survey among Bangkok-based trade associations and found that most contact made by the trade associations was at departmental level, (see Table C-3). Nevertheless, his content study of summonses issued by the House of Representatives to business associations for testimony or consultation, showed that during 1984 to 1987 an average of 4.45 persons a month representing some kind of associations (chambers of commerce or trade associations) were summoned, compared to 0.13 between 1975 and 1976 (the democratic years) and 0.14 between 1977 and 1978 (the short-lived revival of the bureaucratic polity years).<sup>14</sup> This indicates that contact between the legislature and business associations has also increased considerably.

The growth of this newer form of business influence on the government by using group-based lobbying developed to a stage where a formal channel of communication and interaction was established. In 1981 the national Joint Public and Private Consultative Committee on Solving Economic Problems (the JPPCC) was founded. The Prime Minister is the chairman of the committee. The members of the

<sup>14</sup>*Ibid.*, p.458.

committee from the public sector are ministers in charge of economic affairs, and the members from the private sector are representatives from the three major private institutions in Thailand -the Thai Chamber of Commerce, the Federation of Thai Industries, and the Thai Bankers Association. The National Economic and Social Development Board serves as the secretariat of the committee. It is worth noting here that there is no labour, farm, or public enterprise representation on the committee (for more detailed discussion of the JPPCC, see Appendix D).

It is interesting to ask what are the forces underlying the transition from the clientelistic form of government and business relations during the bureaucratic polity period, to the modern form of active direct participation and group-based lobbying by business.

#### **C.4 FORCES UNDERLYING THE TRANSITION OF THE RELATIONSHIP**

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

##### **C.4.1 The Decline of the Bureaucratic Polity**

After the absolute monarchy was overthrown in 1932, the bureaucrats took control of power and the political activities of non-bureaucratic groups such as students,

workers, peasant and businessmen were reduced to a minimum. This situation allowed the bureaucrats to abuse their power unchallenged and corruption was widespread. Cliques and factions, mostly bureaucratic, took turns in controlling of the government. Certainly, the general public was not widely involved in the rivalry between top politicians and tended to feel that changes in the ruling groups were as likely to be harmful as beneficial.<sup>15</sup>

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

Yet society is a living thing and can change. As socio-economic developments have taken place and more Western values, especially from American culture, and mass media have permeated Thai society, the public's awareness of politics and government has increased, particularly among students. Originally the students were passive, although their social consciousness had been gradually growing for some time. In 1969 the National Student Center of Thailand (NSCT) was founded. It originally confined its activities to public welfare programmes. They later got involved in an anti-Japanese goods campaign. Finally, their activities became political and concentrated on the malpractice and abuse of power of the government, the Thanom-Prapass regime.<sup>16</sup> In effect, the students challenged the Thai bureaucratic polity in a way that could not have been imagined before. The government was finally brought down by the students' massive demonstration in October 1973.

The fall of the government brought in several changes in Thai politics. First, the public's interest in politics and government increased and the spirit of democracy was raised in their consciousness. Second, new pressure groups were formed, a

<sup>15</sup>Riggs, *op.cit.*, p.244.

<sup>16</sup>Prudhisan Jumbala, "Towards a Theory of Group Formation in Thai Society and Pressure Groups in Thailand after the October 1973 Uprising," *Asian Survey*, Vol.XIV, No. 6 (June, 1974), pp.539-540.

comparative rarity in the period of the 1932 revolution. Besides the student pressure group, other groups such as the Teachers' Center and the Teachers' Union also mushroomed quickly. Among the most prominent pressure groups were labour unions. The number of labour unions increased tremendously after the student uprising. With only 13 labour unions initiated in 1973, the figure increased to 78 in just over three years (see Table C-4). However, the number of labour unions initiated fell sharply to 2 and 23 in 1977 and 1978, the short return to a military regime. The number increased again when a semi-democratic government was installed.

**Table C-4: The Number of Labour Unions for the Whole Kingdom (1972-1983)**

Year	Whole Kingdom	Cumulative Total	
		Initiated	Withdrawn
1972	9	-	9
1973	13	-	22
1974	23	-	45
1975	66	-	111
1976	78	5	184
1977	2	22	164
1978	23	13	174
1979	52	20	206
1980	55	6	255
1981	90	11	334
1982	58	15	377
1983	47	10	414

Source: Adapted from the Central Registration Office, Labour Relations Division, Department of Labour, compiled in *Year Book of Labour Statistics 1983*, Department of Labour, Ministry of Interior, as published in Suriyamongkol and Guyot, op.cit., Table III, p.28.

According to Table C-5, labour disputes and work stoppages were high in the years following the uprising but fell sharply during the short come-back of the authoritarian regime and rose again in the semi-democratic period. Some of the activities of Thai labour unions are shown on Table C-6.

**Table C-5: The Number of Labour Disputes and Work Stoppages (1975-1983)**

Year	Labour Disputes <sup>a</sup>		Work Stoppages <sup>b</sup>	
	Number	Workers Involved	Number	Workers Involved
1975	460	187,107	241	94,747
1976	340	194,469	133	65,342
1977	61	49,673	7	4,868
1978	156	98,247	21	6,842
1979	205	75,468	64	16,203
1980	174	58,461	18	3,230
1981	206	115,774	54	22,008
1982	376	100,959	22	7,061
1983	229	100,729	28	10,532

Note: <sup>a</sup> Labour disputes means any disagreement between employers and employees concerning conditions of employment.

<sup>b</sup> Work stoppages means any stoppage of work due to the concerted action of employees in order to compel an employer to do or refrain from doing something concerning a labour dispute.

Source: Adapted from the Labour Statistics Branch, Labour Studies and Planning Division, Department of Labour, compiled in *Year Book of Labor Statistics 1983*, op.cit., as published in Suriyamongkol and Guyot, op.cit., Table IV, p.29.

**Table C-6: The Number of Labour Disputes by Types of Demand (1981-1983)**

Type of Demand	1981	1982	1983
Wage Increase	151	294	48
Overtime Pay	27	98	112
Payment for Work Done on Weekly Rest Day	19	5	105
Bonus	93	82	59
Incentive Allowance	58	44	30
Living Allowance	119	100	77
Medical Costs	59	59	52
Other Subsidies	83	289	166
Legal Holiday	45	141	137
Leave	63	46	38
Welfare	56	126	118
Injury Protection	10	8	94
Medical Care	45	45	117
Food	37	44	114
Clothes	56	60	38
Improvement of Administration and Regulations	45	160	180
Union Operations	25	146	119
Others	108	207	173
Unspecified	24	3	7

Source: The Labour Statistics Branch, Labour Studies and Planning Division, Department of Labour, compiled in *Year Book of Labour Statistics 1983*, op.cit., as published in Suriyamongkol and Guyot, op.cit., Table V, p.31.

In short, the political power structure has changed from the bureaucratic polity to one in which bureaucratic power is cut and pressure groups have emerged and to a certain extent balanced its power. To use a political term, society has become relatively more pluralistic. This change, together with the increase of public interest in politics, has made it rather difficult for the bureaucrats to play the patronage role.

#### C.4.2 The Upgraded Status of Private Business

As the bureaucratic polity, an element supporting clientelism, has declined, the status of private business has been upgraded. As mentioned earlier, in the past, businessmen, dominated mostly by Chinese, were viewed as pariah entrepreneurs; they were often harassed and their money extorted by corrupt officials. However,

several factors brought a change in this image.

First, the nationalistic and rather hostile policy pursued by the government towards Chinese aliens softened. This was due partly to the stopping of Chinese immigration into Thailand and their assimilation into Thai society, thus removing some of the threats, both psychological and economic, perceived by the indigenous Thais. By the early 1950s, the number of registered aliens fell to around 600,000 persons.<sup>17</sup> Chinese registered aliens took the biggest share of the figure, compared to other nationalities. However, the number of Chinese registered aliens has fallen constantly ever since. Table C-7 shows that there were 333,879 Chinese registered aliens in 1970. By 1984, the number dropped to 277,205 -an accumulated decrease of 56,674 persons of about 17% over fifteen years.

**Table C-7: The Number of Chinese Aliens Registered in Thailand (1970-1984)**

Year	Number	Accumulated Decrease
1970	333,879	-
1971	322,426	11,453
1972	321,966	11,913
1973	319,465	14,414
1974	321,927	11,952
1975	313,153	20,726
1976	309,941	23,938
1977	306,808	27,071
1978	302,430	31,449
1979	298,642	35,237
1980	294,088	39,791
1981	289,829	44,050
1982	285,137	48,742
1983	281,233	52,646
1984	277,205	56,674

Source: The Alien and Taxation Division, Police Department, Ministry of Interior, as published in Suriyamongkol and Guyot, *op.cit.*, Table II, p.23.

Moreover, many Chinese businessmen and industrialists have become Thai citizens through the process of naturalisation, while many more, as time passed, have

<sup>17</sup>Suriyamongkol and Guyot, *op.cit.*, p.22.

departed or retired due to old age. Thus the turnover of management control to their off-springs, who are Thai citizens by birth and better or often highly educated, together with the effects of the Immigration Act and related regulations which virtually stopped the influx of Chinese immigrants, profoundly changed the pariah identity of Chinese businessmen.<sup>18</sup>

Second, since private business offers better salaries and fringe benefits, it can attract more highly trained, qualified professional personnel, especially those with education and experience from abroad. This adds more prestige to the image of the business community.

Third, chronic economic problems like inflation, unemployment, and trade deficits have caused the government to turn towards the private sector for consultation and cooperation. The evidence of this can be seen in the statements made in successive National Economic and Social Development Plans; it has been clearly emphasised since the third plan that the relationship between the government and the private sector must be developed and the private sector should be encouraged to play a larger role in economic and social developments.

### C.5 SUMMARY

The history of government and business relations in Thailand can be roughly divided into two phases. The first phase lasted from 1932, the year the absolute monarchy was replaced by the military government, until 1973, the year the authoritarian regime was overthrown by the student revolution. During this period, the government's relationship with the business community, dominated by Chinese, took the form of clientelism. The bureaucrats, with sole control of political power, played the patron role by giving protection to businessmen in exchange for financial favours. The businessmen, playing the client role, were the lesser actors who influenced government policy defensively and in an ad hoc manner. The second phase was from

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<sup>18</sup>Ibid., pp.21-22.



1973 onwards. During this relatively more democratic period, businessmen have been employing newer forms of influence over the government -direct participation and group-based lobbying. The division into two phases indicates that one form of the relationship has become more dominant, not that other forms did not exist.

A few major social changes caused the transition in the form of the relationship. First, the bureaucratic polity declined and and pressure groups and political parties became stronger and balanced the power of the bureaucrats. Second, the stopping of Chinese immigrants into Thailand and their quick assimilation into Thai society reduced the threat of the Chinese economic success from the minds of the ethnic Thais. In addition, economic conditions have caused the government to reverse its hostile policy and attitude towards the private sector and to turn to businessmen for both formal and informal dialogue and consultation.

## **Appendix D**

### **The Joint Public and Private Consultative Committee**

**D.1 Introduction**

**D.2 The Development of Public and Private Cooperation**

**D.3 Organisation of the JPPCC**

**D.4 Extension of the JPPCC into Other Provinces**

**D.5 The JPPCC Scheme in Practice**

**D.6 Summary**

**APPENDIX D**  
**THE JOINT PUBLIC AND PRIVATE**  
**CONSULTATIVE COMMITTEE**

**D.1 INTRODUCTION**

This appendix will discuss the objectives of the Joint Public and Private Consultative Committee (JPPCC) and its organisation and decision-making process. It will also discuss the extension of the JPPCC scheme from the central administration into other provinces. The later section will describe and analyse how the JPPCC scheme works in practice.

**D.2 THE DEVELOPMENT**  
**OF PUBLIC AND PRIVATE COOPERATION**

The cooperation between the public and private sectors under the present form of the Joint Public and Private Consultative Committee for Solving Economic Problems (Khana Karmkarn Ruam Pak Rattaban Lae Ekachon Pua Kaekhai Panha Tang Settakij [Ko Ro Oo]) or the JPPCC, has a rather long and complicated history. More than two decades ago, the Thai government were pursuing an interventionistic economic policy; state monopoly and enterprises under various ministries were created in several sectors of the economy. The economic approach of the government at that time was to control trade and industry rather than to promote them. Even though this interventionistic policy of the government brought great prosperity and growth in the guided capitalist economy, it had created an economic system in which the state was the leader and the private sector the follower. The private sector

institutions had little opportunity to develop and were progressing rather slowly and inefficiently.<sup>1</sup>

In addition, according to Sawaeng Ratanamongkolmas, the kind of attitude which prevailed in this economic system were not only obstructive but also detrimental to the development of government and business cooperation. There was inequality and a lack of faith and trust between the two sides. The private sector not only resented its inferior status in the relationship but also felt that it was too much controlled and regulated by the government. At the same time the government officials took the attitude that the private sector needed to be controlled and regulated because it was selfish and cared only about its own interest.<sup>2</sup>

This situation continued throughout the period of the first (1961-1965), second (1966-1970), and third National Economic and Social Development Plans (1971-1975). However, in the fourth Plan the government turned towards the private sector for its participation in the national economic and social development, as the socio-economic and political conditions had become more complicated and past experience told the government that it could not solve the economic problems alone.<sup>3</sup> At the same time there was a change in the image of the younger generation of businessmen, who were well educated and had become more professional in dealing with the bureaucracy. The growth of the private institutions was evident and they had become better organised. The constitution of the three leading private institutions -the Thai Chamber of Commerce, the Federation of Thai Industries and the Thai Bankers Association- also contributed favourably to the development of the relationship between government and business.

Finally, the need for cooperation between the public and private sectors was responded to by the foundation of the Joint Public and Private Consultative

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<sup>1</sup>Sawaeng Ratanamongkolmas, *Satanapab Botbat Panha Lae Naew Tang Kaekhai Kaewkab Kwarm Ruammue Pak Rataban Lae Ekachon* (Public and Private Sector Cooperation: Status, Role, Problems and Recommendations), a project-evaluation report presented to the Office of the National Economic and Social Development Borad (Bangkok, May, 1986), p.8.

<sup>2</sup>Loc.cit.

<sup>3</sup>Loc.cit.

Committee in June 1981, which represents the highest and most formal and permanent form of government and business cooperation ever in Thailand.

### **D.3 ORGANISATION OF THE JPPCC**

#### **D.3.1 Mandate of the JPPCC**

From a publication made by the secretariat of the JPPCC, its mandate is as follows.

- i) To consider problems and obstacles facing the operation of the government and the private sector and organise a coordinating network for solving them.
- ii) To coordinate joint planning and projects between the government and the private sector in important industries.
- iii) To promote the role of the private sector in the national economic development.
- iv) To follow up the results of work which has been assigned to other relevant agencies for implementation.
- v) To appoint sub-committees and working committees to carry out work assigned by the JPPCC.<sup>4</sup>

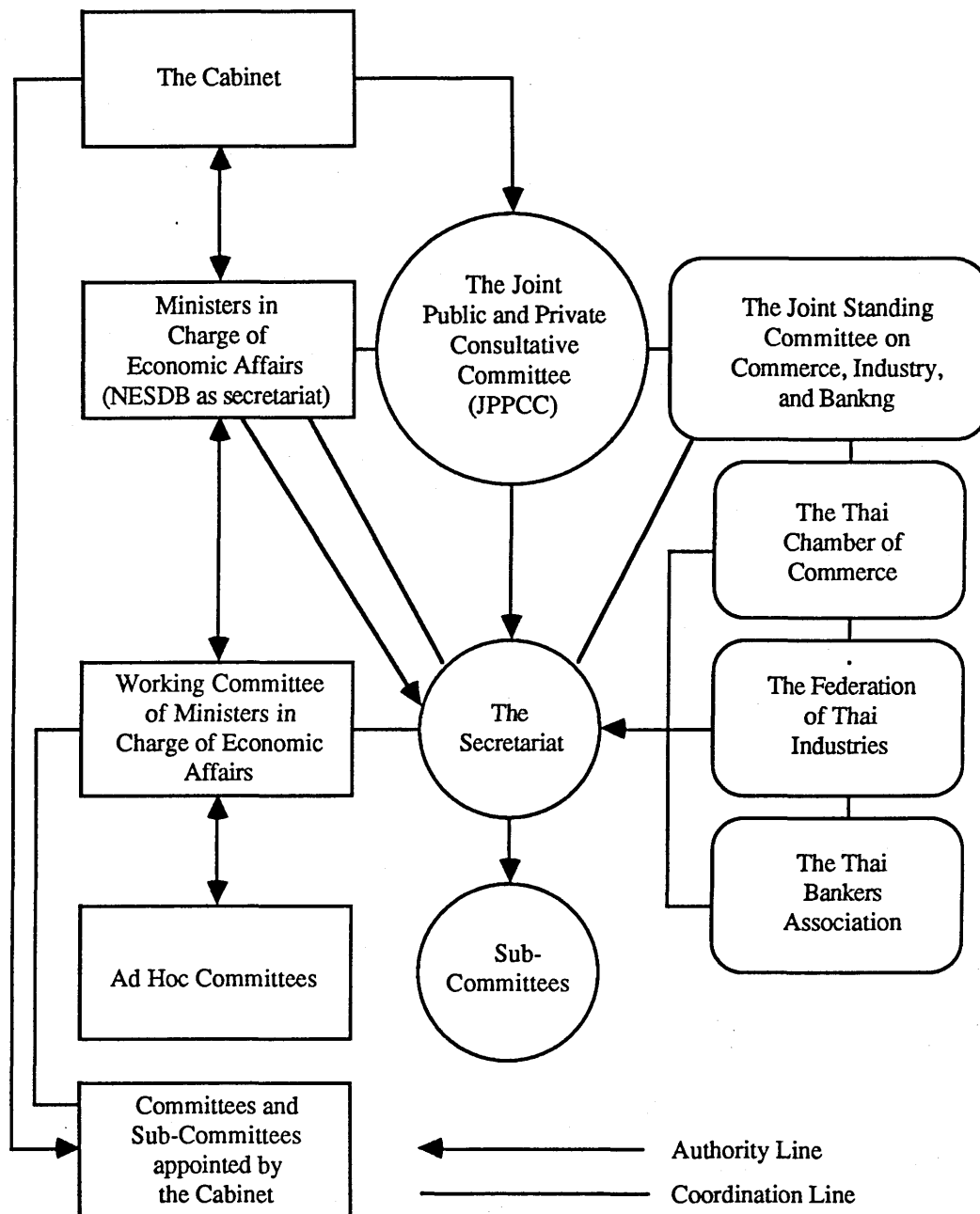
#### **D.3.2 Structure of the JPPCC**

Because the main objective of the JPPCC is to coordinate the government and the private sector in solving important economic problems, the organisation is in the form of a joint committee. The structure of the central JPPCC is as shown in Figure D-1.

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<sup>4</sup>Government and Private Cooperation Division, Office of the National Economic and Social Development Board, *Ko Ro Oo: Ku Mue Pui Prae Kwamroo Kiewkab Ko Ro Oo* (The JPPCC: A Handbook of the JPPCC) (Bangkok, April, 1988), p.8.

Figure D-1: Organisation of the JPPCC



Source: Government and Private Cooperation Division, Office of the National Economic and Social Development Board, *Ko Ro Oo: Ku Mue Pui Prae Kwamroo Kiewkab Ko Ro Oo* (The JPPCC: A Handbook of the JPPCC) (Bangkok, April, 1988), p.7.

*The secretariat.* When the JPPCC was first established, the agency which took care of its secretarial work was the Economic Projects Division, of the Office of the

National Economic and Social Development Board (NESDB). However, the job was a temporary one. Therefore, in October 1985 the Government and Private Cooperation Division was formed within the NESDB to be the JPPCC's permanent secretariat. The functions of the secretariat are described as follows.

- i) To arrange and organise the meetings of the JPPCC. The task is divided into the technical work of providing facts and information including suggestions to problems being considered, and the secretarial work of preparing the meeting and its agenda.
- ii) To act as the secretariat of the Sub-Committee for Agenda Review in the consideration of issues to be put on the meeting agenda.
- iii) To carry out other work after the meeting such as informing other government agencies or private institutions of the JPPCC's resolutions.
- iv) To participate in various sub-committees appointed by the JPPCC.
- v) To follow up the resolution of both the central JPPCC and provincial JPPCCs (PJPPCCs) and coordinate the work among relevant agencies.<sup>5</sup>

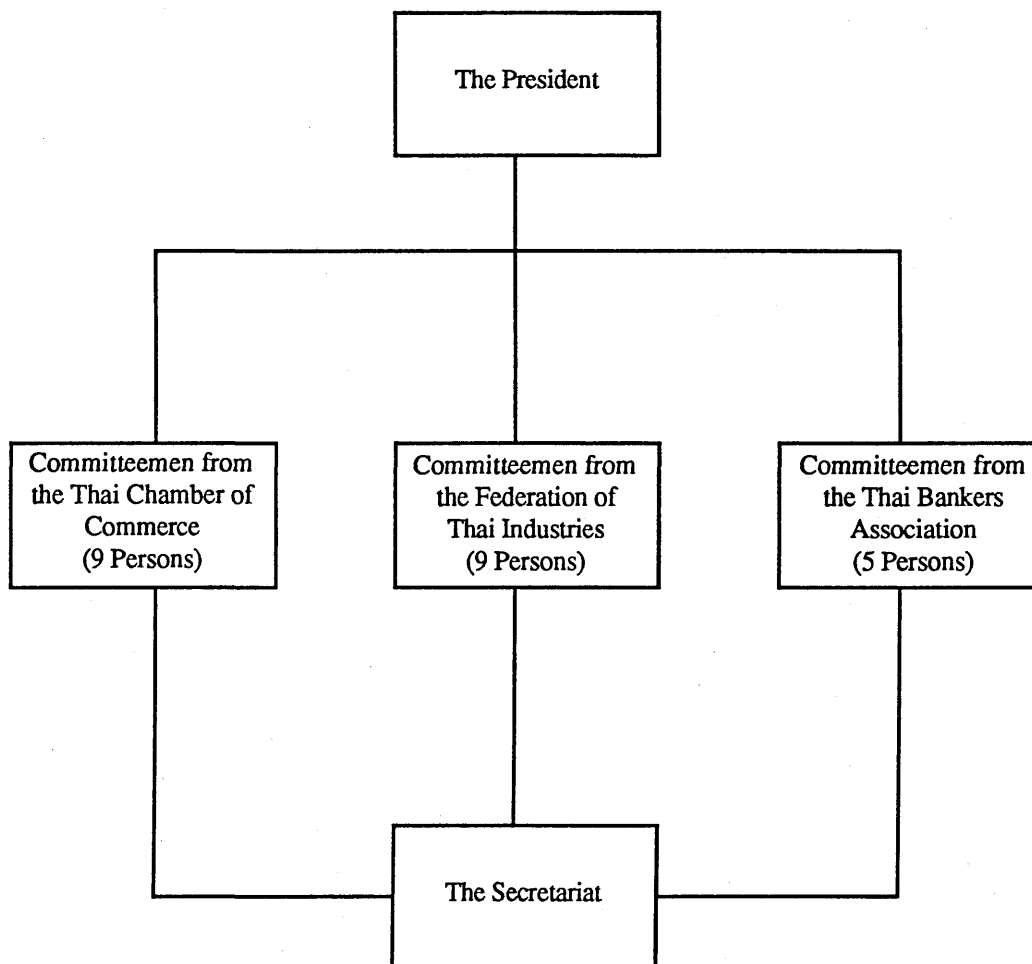
*The Joint Standing Committee on Commerce, Industry and Banking (JSCCIB)*. In the past several private groups of representatives participated in international conferences, such as the meeting between the Japanese Keidaren and the Thai groups of representatives, the Asian meeting, and meetings with bodies such as the EEC, as consultants or observers. Being dissatisfied with their given status and wishing to acquire more bargaining power, the Thai Chamber of Commerce and the Federation of Thai Industries (then, the association of Thai Industries) formed a joint committee in July 1976, which consisted of fourteen committeemen, seven from each, and two presidents, one from each. Later the presidents thought they should invite the Thai Bankers Association to join them since trade and industry normally are

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<sup>5</sup>Ibid., pp.8-9.

involved with banking. Thus, in June, 1977, the Joint Standing Committee on Commerce, Industry and Banking was formed with the objective of being a central body for the coordination of work among private institutions and with the government, and also for the communication and negotiation with both domestic organisations and international bodies.<sup>6</sup>

**Figure D-2: Organisation of the Joint Standing Committee on Commerce, Industry and Banking**



Source: Joint Standing Committee on Commerce, Industry and Banking, *Joint Standing Committee on Commerce, Industry and Banking: The Third conference at Khonkan, January 26, 1986*, seminar papers, p.9.

<sup>6</sup>Joint Standing Committee on Commerce, Industry and Banking, *Joint Standing Committee on Commerce, Industry and Banking: The Third conference at Khonkan, January 26, 1986*, seminar papers, pp.7-8.



The structure of the JSCCIB is as shown in Figure D-2. Each of the three institutions takes a turn in the presidency.

### D.3.3 Work and Decision-Making Process of the JPPCC

In principle, the JPPCC considers only the issues which involve both the government and the private sector or those which are of public interest. The agencies in the government sector which can propose issues for consideration by the JPPCC are various government agencies and committees, the Cabinet and the provincial JPPCCs. In the private sector, they are the members of the three private institutions (the Thai chamber of Commerce, the Federation of Thai Industries, and the Thai Bankers Association). The process of proposition and submission is as follows:<sup>7</sup>

i) In the government sector, if an issue is considered to involve both the government and the private sector, then it can be submitted to the secretariat of the JPPCC.

ii) In the private sector, private businesses which are the members of the three private institutions participating in the JPPCC, can submit issues through the institutions of which they are members, or to the JSCCIB which considers and then forward them to the JPPCC's secretariat. However, each private institution may submit issues to the secretariat directly without going through the JSCCIB. Trade associations or clubs can also submit issues to the secretariat directly or through the JSCCIB.<sup>8</sup>

Having received the issues, problems or complaints, the secretariat studies the cases by coordinating with the relevant agencies and bodies both in the government and the

<sup>7</sup>Government and Private Cooperation Division, Office of the National Economic and Social Development Board, op.cit., p.14.

<sup>8</sup>Ibid., p.15.

private sector. It will then present the cases to the JPPCC's Sub-Committee for Agenda Reviews for further consideration.<sup>9</sup>

The Sub-Committee for Agenda Reviews goes through the cases and selects some of them to be discussed in the JPPCC's meetings. Problems and complaints which are operational and for which there are existing agencies to take care; are sent to the relevant agencies for consideration.<sup>10</sup>

The cases that reach the JPPCC are considered and debated at its meetings. In principle, the JPPCC does not have the authority to give orders to any government agencies or bodies; therefore, the resolutions are passed to the Cabinet and the ministers in charge of economic affairs for further consideration. If the resolutions are approved at this final stage, then an order is issued to the relevant agencies for implementation.<sup>11</sup>

#### **D.4 EXTENSION OF THE JPPCC SCHEME INTO OTHER PROVINCES**

The extension of the JPPCC scheme into other provinces was due to the successful operation of the central JPPCC.<sup>12</sup> The JPPCC has extended the cooperation between the government and the private sector into provinces by creating the provincial JPPCCs (PJPPCCs). Up to July 1988, there were 63 provincial JPPCCs distributed around the country (Thailand has a total of 72 provinces) (see Table D-1).

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<sup>9</sup>Loc.cit.

<sup>10</sup>Loc.cit.

<sup>11</sup>Ibid., p.16.

<sup>12</sup>Ibid. p. 18.

**Table D-1: The Number of Provincial JPPCCs Formed (1983-1988)**

Year	Number of PJPPCCs Formed
1983	4
1984	11
1985	20
1986	8
1987	13
1988	7
<b>Total</b>	<b>63</b>

Source: Manoot Watanakomen, *Khana Kamakan Ruam Pak Rataban Lae Ekachon Pua Khaekai Panha Tang Settakij: Karn Suksa Dan Karn Borihan (The Joint Public and Private Consultative Committee for Solving Economic Problems: A Study of Its Administration)* (Bangkok: Thailand Development Research Institute Foundation, 1989), p.32.

#### D.4.1 Objectives and Organisation of a PJPPCC

The objectives and organisation of a PJPPCC are similar to those of the central JPPCC. The objectives of the PJPPCC are as follows.

i) To help local businessmen and private institutions in the province and encourage a greater sense of social responsibility and unity in solving business problems.

ii) To organise a form of government and private cooperation similar to the central JPPCC for solving provincial economic problems.<sup>13</sup>

The organisation of a PJPPCC is borrowed from that of the central JPPCC. The structure of a PJPPCC is as follows.

i) Its chairman is the governor of that province.

ii) Its vice-presidents are the vice-governor, the president of the chamber of commerce of that province, and the chairman of the sub-committee of the Federation

<sup>13</sup>Loc.cit.

of Thai Industries (if there is one) of that province.

iii) The public members of the PJPPCC are senior officials of the province who are in charge of economic affairs.

iv) The private members of the PJPPCC are representatives from the chamber of commerce and the sub-committee of the Federation of Thai Industries in that province.

v) The secretary is the head of the provincial office who is appointed in accordance with the resolution of the central JPPCC and the Ministry of Interior. An assistant secretary can be appointed if necessary. The assistant secretary may be the secretary of the provincial chamber of commerce or the secretary of the provincial sub-committee of the Federation of Thai Industries.<sup>14</sup>

#### **D.4.2 Tasks of a PJPPCC and Its Coordination with the Central JPPCC**

A PJPPCC has two primary tasks. They are as follows.

- i) To present policies and suggest ways for solving economic problems, especially those under the responsibility of the provincial governor.
- 2) To disseminate and publicise news and information about important undertakings and events including the policy of the central government, to the people and private provincial organisations.<sup>15</sup>

Besides this, a PJPPCC also coordinates with other agencies such as the provincial office of the Ministry of Commerce and the provincial office of the Ministry of Industry. The main objective of the PJPPCC is to concentrate on provincial problems and those which are under the provincial authority. However, cases which are

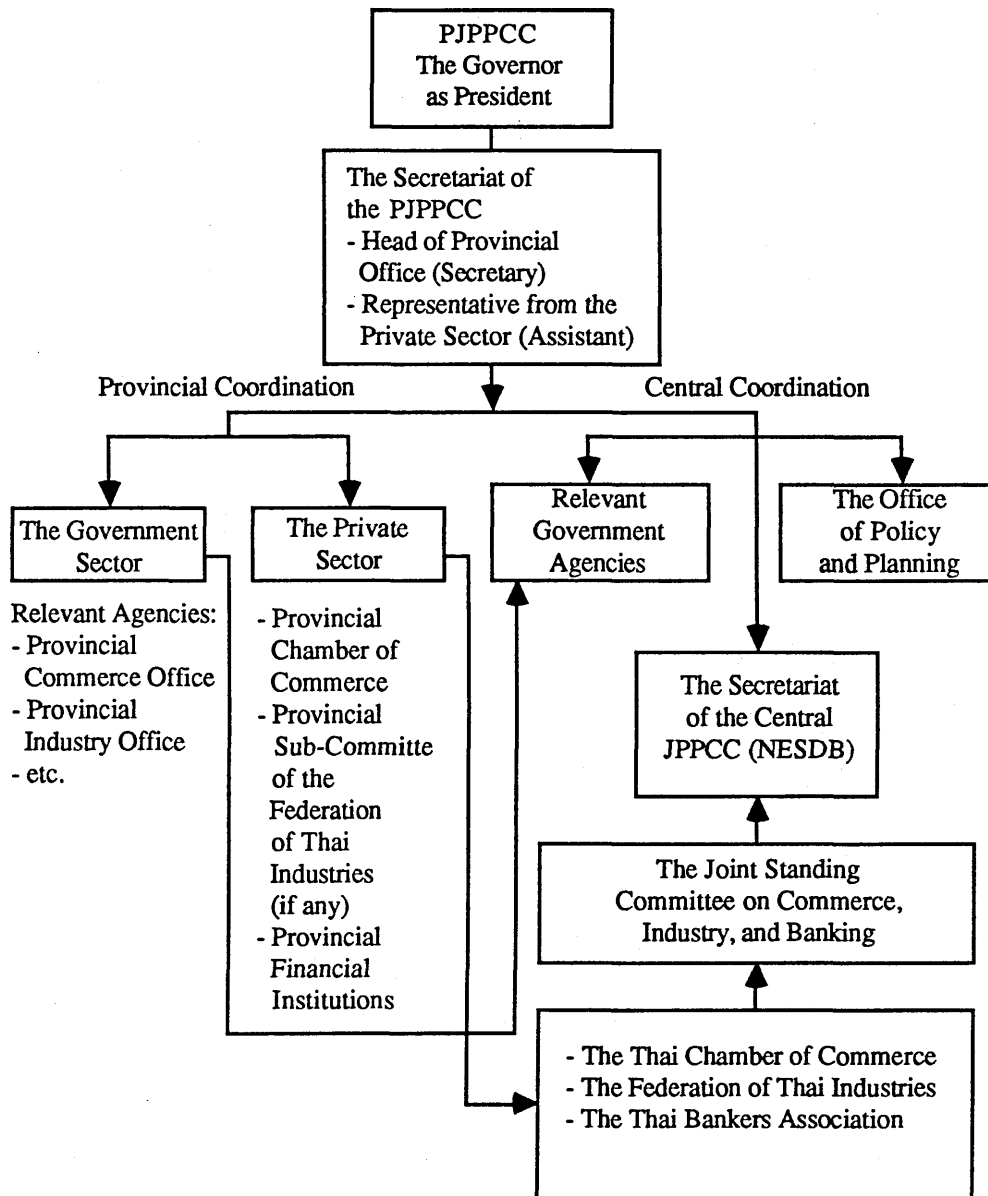
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<sup>14</sup>Loc.cit.

<sup>15</sup>Ibid., p.19.

beyond the authority of the province are referred to the central government and administration. This is accomplished as follows.

**Figure D-3: The Structure of Coordination between a Provincial JPPCC and the Central JPPCC**



Source: Government and Private Cooperation Division, Office of the National Economic and Social Development Board, *Ko Ro Oo: Ku Mue Pui Prae Kwamroo Kiewkab Ko Ro Oo (The JPPCC: A Handbook of the JPPCC)* (Bangkok: April, 1988), p.23.

i) Problems and suggestions at policy level which are within the authority of existing bodies, such as government agencies or committees appointed by the government, will be dealt with directly by the relevant bodies.

ii) Problems and suggestions which involve several agencies or both the government and the private sector are referred to the central JPPCC's secretariat (the Government and Private Coordination Division, NESDB) or the three private institutions (the Thai Chamber of Commerce, the Federation of Thai Industries, the Thai Bankers Association). They then process and forward the cases to the JPPCC finally.

iii) Problems and suggestions which involve with the work of state enterprises under the Ministry of Interior and cannot be solved by the provincial are presented directly to the Ministry of Interior.<sup>16</sup>

The overall structure of coordination of the PJPPCC with the central JPPCC is as shown in Figure D-3.

## **D.5 THE JPPCC SCHEME IN PRACTICE**

Thus far, the JPPCC's objectives, organisation, work and decision-making process, and its extension to other provinces around the country have been described. This may be the official form of the JPPCC scheme, however, in practice, several features of the JPPCC scheme differ from their written forms substantially.

### **D.5.1 Misinterpretation and Ambiguity of the JPPCC's Objectives**

In principle, the JPPCC does not have the authority to make decisions and give orders to government agencies or other organisations. However, Sawaeng Ratanamongkolmas conducted some research into the understanding of the objectives of personnel involved in the JPPCC, both in the government and the private sector at

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<sup>16</sup>Ibid., pp.21-22.

upper and lower levels. He found that several different views existed. The personnel at the upper level in both sectors, such as members of the JPPCC and of the Subcommittee for Agenda Review, understood that the JPPCC was a policy-coordinating body which could only suggest policies and solutions to problems but did not have the authority to give orders. However, the lower level personnel from the private sector appointed to sub-committees by the JPPCC held the view that the JPPCC ought to have the authority to give orders, which would make the problem-solving process more efficient. This view of private personnel at the lower level was similar to that of the provincial JPPCCs' members.<sup>17</sup>

Moreover, the private sector representatives tended to have a higher expectation of the JPPCC: they believed that the suggestion of solutions to economic problems was the most basic form of cooperation and should be extended to the level of joint decision-making and implementation of development projects. In contrast, the government sector representatives held the opinion that the suggestion of solutions to economic problems was already the highest level of cooperation, and that the JPPCC should concentrate more on giving information supporting government decision-making.<sup>18</sup>

Thus, it can be seen that the upper level personnel's understanding of the JPPCC's objectives was closer to the official form of the JPPCC than was that of the lower level personnel. Some people held the view that the JPPCC was a politically sensitive organisation and were dubious about the reasons why the JPPCC does not have the authority to give orders and why its resolutions must be authorised by the Cabinet since the Cabinet is also present at the JPPCC meetings.<sup>19</sup> However, there were several occasions when the JPPCC just passed its resolutions to government agencies to be implemented. This caused dissatisfaction among officials of the agencies.<sup>20</sup>

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<sup>17</sup>Ratamongkolmas, *op.cit.*, p.12.

<sup>18</sup>*Ibid.*, pp.13-14.

<sup>19</sup>*Ibid.*, pp.15-16.

From the study of the work the JPPCC so far, it can be seen that the JPPCC tends to concentrate its activities on solving short-term operational problems rather than on coordination between the government and the private sector in making plans and joint development projects, which is also one of the objectives stated in the JPPCC's publication.<sup>21</sup>

#### **D.5.2 The Status Inequality of Representation within the JPPCC**

Even though the participation status of personnel from both the government and the private sector are equal in principle, in practice the government's ability to design a policy and implement it tends to be greater than that of the private sector. Most committeemen from the government are better prepared than those from the private sector in terms of resources and legitimate authority to participate in the JPPCC. In contrast, the representatives from the three institutions, even though they are the strongest organisations representing the private sector, still have problems, for example of coordination within their own organisations and between themselves.<sup>22</sup>

The crucial question is to what extent these three institutions can represent the private sector in solving those complicated economic problems, as each institution's role is limited to its own line of industry. For example, the Thai Bankers Association whose members are commercial banks giving mainly financial services limits its scope to the financial industry if it implements a government policy. In fact, the operations and policy of most commercial banks are already under close scrutiny by

<sup>20</sup>Manoot Watanakomen, *Khana Kamakan Ruam Pak Rataban Lae Ekachon Pua Khaekai Panha Tang Settakij: Karn Suksa Dan Karn Borihan* (The Joint Public and Private Consultative Committee for Solving Economic Problems: A Study of Its Administration) (Bangkok: Thailand Development Research Institute Foundation, 1989), p.43.

<sup>21</sup>See Office of the National Economic and Social Development Board, *Pramual Pol Ngarn Khana Kamakarn Ruam Pak Rataban Lae Ekachon Pua Kaekhai Panha Tang Settakij (Ko Ro Oo)* (The Compilation of Work Results of the Joint Public and Private Consultative Committee on Solving Economic Problems (JPPCC)), May 1986 and December 1987.

<sup>22</sup>Ratanmongkolmas, op.cit., p.18.



the Ministry of Finance and the Bank of Thailand. Similarly, the chambers of commerce the majority of whose members are involved in trading, either import or export, have limited their scope to international trade. The success of the chambers of commerce's operations then depends on international market conditions. Finally, the Federation of Thai Industries whose members are manufacturing companies, still has internal management problems because of the variety of industries within the manufacturing sector.<sup>23</sup>

In addition, even though the activities of the three private institutions cover most of the country's important economic sectors, the JPPCC still does not have representatives from the agricultural sector, despite old and chronic problems such as poverty and the low price of agricultural products in this sector.<sup>24</sup> This limited representation of the private sector has led some people to say that the JPPCC only protects the interest of the rich big business groups.

Besides all these major deviations from the ideal principles of the JPPCC, there are other minor ones. For example, some of the issues submitted to the JPPCC may be arbitrarily dropped from the agenda by the Sub-Committee for Agenda Review if it thinks the issue is not important or does not fall into the category to be considered by the JPPCC. The coordination between various agencies involved in the JPPCC is still not efficient and is not supported by enough resources to keep up with the rapid growth of the JPPCC scheme. For example, there are only two persons in the Office of Policy and Planning, in the Ministry of Interior, to take care of the JPPCC's work.<sup>25</sup>

### **D.5.3 Performance of the JPPCC**

The operation of the JPPCC scheme thus far has substantially promoted public and private cooperation and has had several successful concrete results. Several sub-

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<sup>23</sup>Ibid., pp.18-19.

<sup>24</sup>Ibid., p.19.

<sup>25</sup>Watanakomen, op.cit., p.57.

committees were appointed by the JPPCC. Some of them are as follows.

- i) The Sub-Committee for Public Relations of the JPPCC (permanent).
- ii) The Sub-Committee for Agenda Review (permanent).
- iii) The Joint Public and Private Sub-Committee for Solving Tourism Problems (ad hoc).
- iv) The Sub-Committee for the Administration of the USIAD's Private Sector Development Project (ad hoc).
- v) The Sub-Committee for Coordination in Solving Customs Problems (ad hoc).
- vi) The Sub-Committee for Plans and Measures of the Consumption of Oil, Fuel, Natural Gas and Coal in Industry and Transportation (ad hoc).
- vii) The Joint Public and Private Sub-Committee for Solving the Problems of the Mining Industry (ad hoc).
- viii) The Sub-Committee for the Promotion of Thailand (ad hoc).<sup>26</sup>

Some of the important results of the sub-committees which should be mentioned here were the shortening of the customs procedure to promote export and the cutting of the bureaucratic red tape in major government economic agencies such as various departments under the Ministry of Industry, the Ministry of Commerce and the Ministry of Finance.<sup>27</sup>

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<sup>26</sup>See Ratanamongkolmas, *op.cit.*, Appendix B, pp.14-19.

<sup>27</sup>For more details of the work of various sub-committees, see *Pramual Pol Ngarn Khana Kamakarn Ruam Pak Rattaban Lae Ekachon Pua Kaekhai Panha Tang Settakij (Ko Ro Oo)* (The Compilation of Work Results of the Joint Public and Private Consultative Committee on Solving Economic Problems (JPPCC)), published annually by Office of the National Economic and Social Development Board,

## D.6 SUMMARY

The main objective of Joint Public and Private Consultative Committee (JPPCC) is to bring the government and the private sector together to debate important economic problems, the resolutions of which are passed to the Cabinet and the ministers in charge of economic affairs for approval. The membership of the JPPCC consists of the cabinet members, ministers in charge of economic affairs, and the representatives of the Joint Standing Committee on Commerce, Industry and Banking, which is formed by the Thai Chamber of Commerce, the Federation of Thai Industries, and the Thai Bankers Association. The Government and Private Cooperation Division, of the Office of the National Economic and Social Development Board, serves as its secretariat. The agenda to be considered at the JPPCC's meetings is passed through the secretariat to the Sub-Committee for Agenda Review.

The JPPCC scheme has grown quickly and extended to other provinces, but not enough resources have been made available to keep up with this growth and promote the concept of the JPPCC scheme. Nevertheless, so far the JPPCC operation has been relatively successful and contributed to several important advances such as the cut in the procedures of business contact with certain government agencies.

## **Appendix E**

### **First Pilot Study: Interview Guide**

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### **PILOT STUDY: INTERVIEW GUIDE**

This is the pilot study interview of my research under the topic: Government and Business Relations. It is an in-depth interview covering 6 sub-topics:

- i) The government
- ii) Business enterprises
- iii) The economic system
- iv) Business competition
- v) Industrial policy
- vi) Government and business relations

The interview should take about 2-3 hours to complete.

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### **The Government**

#### **A) The government in general**

1. As you know, a government is a very big organisation, consists of several departments, and performs many functions; in general when you think of the government, what do you think of? (Probe: What do you mean by...? How? In what ways?)
2. In your own words, how would describe the present government? (Probe: How do you feel about what you have just described? What makes you say it that way?)
3. Do you think the government is trustworthy? (Probe: Why? Do you happen to have any experience which makes you feel that way? Could you explain it to me?)
4. How important do you think the government is to your company? (Probe: For example?)
5. Do you think the government is doing something good for your company's operations? (Probe: If yes, how? In what way? For example? If no, what makes you think that way?)
6. Do you think the government is doing something bad for your company's operations? (Probe: The same as the previous question.)
7. Do you think your company could do better with or without the government, or does it not make any difference? (Probe: what makes you think like that?)
8. Would you explain your latest contact or any experience with the government ? (Probe: How do you feel about it?)
9. What do you think the perfect government would be like? What is it for?
10. Suppose you had the authority to do something about the present government, what would you do first? (Probe: Why?)

#### **B) The people in high positions in the government**

1. What do think about these people? How do you feel about them? (Probe: As

necessary.)

2. What kind of educational background do you think they are from?
3. What is your understanding of the characteristics of their work?
4. On what do you think they usually spend most of their time?
5. What do you think are the objectives of their work?(Probe: Would you explain a bit more about...?)
6. How successful do you think they are in their career?
7. Would you describe the people who are in high positions in the government and involved in policy-making as capable? (Probe: Why? What makes you think that way?)
8. Do you happen to know anyone in high positions in the government intimately?( Probe: How did you get to know him? How do feel about the relationship?)
9. Does it help to know this person? (Probe: In what way? How? Can you give me some example?)
10. From what kind of educational background do you think the people in high positions in the government should come? (Probe: Why?)
11. What kind of personality do you think they should have?
12. Do you think that there are a lot of people with the kind of background and personality you have just described in the government? (Probe: Why? What does that make you feel?)

### **C) The economic role of the government**

1. With respect to economic matters , what do think the government should do ? In other words, what roles should the government play in the economic system? (Probe: Any other roles? (Ask for each role mentioned.) How important is this role? What would happen if the government failed to play this role?)
2. Besides what the government should do, what do you think the government should not do in the economic system? (Probe: (For each role mentioned) What would happen if the government insisted on assuming that role? How would this affect your business? What would you do about it?)
3. How satisfied are you with the present economic role of the government? (Probe: In what way? Would you explain to me a bit more about that?)
4. Could you tell me about any issues where the government is performing its role very well? (Probe: (Ask for each issue mentioned) What makes you say that? Could you give me any examples?)
5. Could you tell me about any issues where the government is performing its role very poorly? (Probe: (Ask for each issue mentioned) What makes say that?; could you give me any examples?)
6. As you know, some people would like the government to intervene in the economic system as little as possible, do you yourself believe that the government should let the economic system work through the law of supply and demand. (Probe:

Why?)

7. Do you feel that the current economic role of the government is very much influenced by political factors or vested interests? (Probe: What makes you feel that way? How does that affect your attitude towards the government?)

#### **D) The economic capability**

1. Do you think the government has the ability to manage the economy? (Probe: If yes, what makes you think that way? If no, what is the reason for that?)

2. Do you agree that there is a good economic management team inside the government? (Probe: What makes you say that?)

3. Do you think the government could play a leading role in relation to firms? (Probe: Why?)

4. On what business matters do you think you can rely on the government? (Probe: Would you explain a bit more to me about that?)

5. On what business matters do you think you cannot rely on the government? (Probe: Would you make it a bit clearer to me?)

### **Business Enterprises**

#### **A) General**

1. From your experience, what is a business enterprise? (Probe: What are the objectives of this enterprise?)

2. If somebody says that the first objective of a firm is to maximize profits, will you agree with him? (Probe: If yes, why? If no, what is the first objective?)

#### **B) Role**

1. What do you think are the roles of business enterprises in the economic system? (Probe: Which of these is the most important one? Why is this one?)

2. How do you feel about the present roles of business enterprises in the economic system? (Probe: What makes you feel that way?)

3. How would you describe the role of your company in the present economic system? (Probe: As necessary.)

#### **C) Profit**

1. What about profit? Besides its literal meaning of total revenue minus total cost, what does profit mean to you? (Probe: As necessary.?)

2. In your own words, how would you describe your company's policy about profit? (Probe: As necessary.)

#### **D) Investment and innovation**

1. What factors do you think motivate firms to invest? (Probe: What about the government? Do you think the government plays an important role in motivating firms to invest? If yes, how? If no, why?)

2. When your company is going to make an investment, what are the criteria? (Probe: Which one is the most important one? Why?)
3. What factors do you think motivate firms to make innovations? (Probe: What about the government? Do you think the government plays an important role in motivating firms to make innovations? If yes, how? If no, why?)
4. When your company is going to make innovations, what are the criteria? (Probe: Which one is the most important one? Why?)

### **E) Interpenetration of policy**

1. In practical terms, What is your understanding of business policy? (Probe: What do you mean by...?)
2. What are the first five factors you take into consideration when planning your company's business policy? (Probe: As necessary.)
3. What about the government? Would you say that government policy has a great influence on your business policy? (Probe: If no, why? If yes, how? How do you feel about it? Do you resent that? Why?)
4. How important is the government's industrial policy to your business policy? (Probe: Could you give me some example?)
5. In the opposite direction, do you think your company or group can influence the government's industrial policy? (Probe: If yes, how? In which situation? If no, why?)
6. Do you think that the government's industrial policy and business policy are closely related? (Probe: Why?)
7. How would you go about it if you wanted the government to do something? (Probe: Could you explain a bit more about...?)

## **The Economic System**

### **A) General**

1. According to your understanding, what is an economic system? (Probe: Would you explain a bit more about this?)
2. In your own words, how would you describe the present economic system? (Probe: As necessary)
3. How do you feel about the economic system you have just described? (Probe: What makes you feel that?)
4. What do you think are the major problems facing the economic system? (Probe: (Ask for each problem mentioned) Who or what should be blamed for that problem?) What should the government do about it? What should firms do about it?
5. Of all these, which do you think is the most important problem? (Probe: Why?)
6. Do you think that the present economic system is one of the best compared to those of other countries? (Probe: What makes you say that? What do you think if it is compared to other countries like South Korea and Taiwan? What do you think if it is



compared to other countries like America, Germany, Japan?)

### **B) The mechanism of an economic system**

1. What is your idea of how an economic should operate or work? (Probe: Would you explain a bit more about...?)
2. Would you explain to me how the present economic system operates or works? (Probe: Would you explain a bit more about...?)
3. How satisfied are you with what you have just described? (Probe: What makes you say that? What or who contributes (should be blamed) for that?)

### **C) The functions of an economic system**

1. What do you think are the functions of an economic system? (Probe: (Ask for each function mentioned) Would you explain a bit more to me about...? How important is it? How successfully do you think the present economic system is doing this function? Would you give me any examples of that?)
2. Do you think that an economic system can sometimes fail to perform any of these functions? Which ones? (Probe: (Ask for each function mentioned) How? In which situation? How serious is the failure? What should be done about it? By whom?)

## **Business Competition**

### **A) General**

1. What does business competition mean to you? (Probe: Would you explain a bit more about...? Could you give me any examples?)
2. According to your experience, how would you explain the present characteristics of business competition? (Probe: What do you mean by ...? How satisfied are you with it?)
3. Do you think the government is contributing positively to the present business competition? (Probe: If yes, in what way?; how? If no, what makes you say that?)
4. Do you think that at the same time the government is also contributing negatively to the present business competition? (Probe: The same as above.)
5. Do you think your company is competing very well with other firms? (Probe: What are the major factors that enable your company to do that? Does the government help you compete better?)

### **B) Functions of business competition**

1. In your opinion, what are the functions of business competition in the market? (Probe: Anything else? As necessary.)
2. Which of the functions you have mentioned is the most important one? (Probe: Why is this function more important than the others? What will happen if business competition fails to perform this function? How will this effect your company? What do you think are the causes of this failure? How would you go about it? What should

the government do about it?)

### **C) Form**

1. What do you think are the major problems facing the present practice of business competition? (For each problem mentioned probe: Who or what should be blamed for that? What should the government do about it? What should firms do about it?)
2. Of these problems, which would you say is the most serious one? (Probe: Why do you say that? How might this problem affect your company?)
3. Do you think that there are any firms or groups which are not competing fairly? (Probe: What makes you say that? Could you give me any examples? Can anything be done about it?; by whom?)
4. What do you think is the proper way for a firm to compete in the market? (Probe: Would you explain a bit more about that?)

### **D) Competing with foreign firms**

1. Do you feel any differences between competing with foreign firms and local firms? (Probe: If no, what makes you say that? If yes, what are the differences? Do you use different strategies to compete with each of the two? What are the differences in the strategies?)
2. Could you tell me about any advantages or disadvantages that your firm has experienced in competing with foreign firms? (Probe: For each disadvantage, what is your company doing about it? Do you think the government can help you in this matter? If yes, how? If no, why?)

### **E) Factors enabling firms to compete**

1. What factors do you think make a firm to compete successfully in the market? (Probe: For each factor, could you give me an example?)
2. Of all these factors, which one is the most crucial factor? (Probe: Why is this one more important than the others?)
3. What about the government? Do you think the government is in any way helping your company to compete more successfully in the local market? (Probe: Why? What about in the international market?)

### **F) Factors preventing firms from competing**

1. What factors do you think prevent a firm from competing successfully in the market? (Probe for each factor: Could you give me an example about this factor?)
2. Of all these factors, which one is the most crucial factor? (Probe: Why is this factor more important than the others?)
3. Do you think that any of these factors are to be found in your company? (Probe: What are they? (Ask for each factor) What causes it? How do you go about it?)
4. What about the government? Do you feel that the government is creating any

problems for your company? (Probe: Why?)

### **Industrial Policy**

#### **A) General**

1. During the past few decades, governments in many countries have intervened in their countries' industries in the name of industrial policy. What does industrial policy mean to you? (Probe: Could you give me an example of a current industrial policy made by the government? How do you feel about it? How would the policy affect your company?)
2. Do you happen to know which agencies inside the government are responsible for industrial policy? (Probe: What are they? Any other agencies?)
3. How important do you think industrial policy is to a country? (Probe: In what way? How? What would happen if there was no industrial policy?)
4. In your opinion, what do you think are the objectives of industrial policy? (Probe: Do you think the government also perceives the same objectives? If no, what are the differences? How do you feel about that? If yes, why?)
5. (For each of the objectives mentioned above) What do you think is the best means to achieve this objective? (Probe: As necessary.)

#### **B) Industrial Structure**

1. Could you give me the first five industries in which you think this country's industrial companies have the best chance of winning in the international market? (Probe: What are your criteria for choosing these industries? Do you think the government has an idea similar to yours of the most favorable industries which industrial companies should go into? If yes, what do you think the government is doing about it? How? If no, what industries do you think the government is going for? How do you feel about that?)
2. Do you believe that the government can determine the best industrial structure for the country? (Probe: If yes, what makes you believe that? If no, what makes you believe that? Who should know the best industrial structure for the country? Why?)
3. Do you think the government and firms can plan together which industry the producers should go for? (Probe: Why?)

### **Government and Business Relations**

#### **A) General**

1. As you know, governments in most countries interact with firms in one way or another. In your opinion, how should firms relate to the government? (Probe: What do you mean by...?)
2. On the other hand, how should the government relate to firms? (Probe: As necessary.)
3. In your own words, how would you define "government and business

relations?"

4. How important do you think these relations are? (Probe: In what way? Could you give me an example?)
5. How would you describe the present government and business relations? (Probe: As necessary.)
6. Would you say that your company has good relations with the government? (Probe: Why?)

### **B) Functions and forms**

1. What do you think are the functions of government and business relations? (Probe: Could you explain to me a bit more about that? Which is the most important? Why is this?)
2. (Ask for each function.) What would happen if the relations failed to perform this function? (Probe: What or who should be blamed for this failure? How would this affect your firm?)
3. What kind of government and business relationship would you describe as good relationship? (Probe: What or who contributes to this kind of relationship?)
4. In your opinion, what are the advantages if the government and business have good relationship with each other?
5. What kind of government and business relationship would you describe as bad relationship? (Probe: What or who should be blamed for this kind of relationship?)
6. In your opinion, What is the effect if the government and business have bad relationship with each other?

### **C) Communication**

1. How do feel about the present communication between the government and business? (Probe: As necessary.)
  2. Do you sometimes find it difficult to communicate with the authorities inside the government? (Probe: If yes, could you explain the situation to me? What or who should be blamed for that?)
  3. Do you feel that the government does not listen to what firms say? (If yes, could you give me an example? How do you feel about that? What would you do about it? If no, what makes you say that?)
-

**Appendix F**

**Second Pilot Study: Questionnaire**

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**PILOT STUDY QUESTIONNAIRE**

This questionnaire is a pilot study for a part of my research on the topic: Government and Business Relations in Thailand. The data from this questionnaire will be used in my Ph.D. thesis at the University of Glasgow, Scotland.

You are asked to rank several pairs of descriptive adjectives with opposite meanings according to their relevance or ability to describe the concepts above them.

There are in total 3 concepts and 10 pairs of adjectives underneath each concept. Please rank every pair of adjectives. Do not omit any pair.

Thank you very much for your cooperation.

---

CONCEPT 1: GOVERNMENT AND BUSINESS RELATIONS IN THAILAND  
DURING THE PAST 12 MONTHS

- \_\_\_\_\_ Biased-Impartial
- \_\_\_\_\_ Deteriorating-Improving
- \_\_\_\_\_ Fruitful-Fruitless
- \_\_\_\_\_ Distant-Intimate
- \_\_\_\_\_ Valuable-Worthless
- \_\_\_\_\_ Effective-Ineffective
- \_\_\_\_\_ Flexible-Inflexible
- \_\_\_\_\_ Tense-Relaxed
- \_\_\_\_\_ Interesting-Boring
- \_\_\_\_\_ Satisfactory-Unsatisfactory

CONCEPT 2: GOVERNMENT ECONOMIC POLICY DURING THE PAST 12  
MONTHS

- \_\_\_\_\_ Effective-Ineffective
- \_\_\_\_\_ Fruitful-Fruitless
- \_\_\_\_\_ Biased-Impartial
- \_\_\_\_\_ Efficient-Inefficient
- \_\_\_\_\_ Powerful-Powerless
- \_\_\_\_\_ Valuable-Worthless
- \_\_\_\_\_ Flexible-Inflexible
- \_\_\_\_\_ Practical-Impractical
- \_\_\_\_\_ Prudent-Imprudent
- \_\_\_\_\_ Clear-Obscure

CONCEPT 3: THAI BUREAUCRATS, THAI BUSINESSMEN, AND FOREIGN  
BUSINESSMEN IN THAILAND

- \_\_\_\_\_ Competent-Incompetent
  - \_\_\_\_\_ Cooperative-Uncooperative
  - \_\_\_\_\_ Modern-Old-fashioned
  - \_\_\_\_\_ Biased-Impartial
  - \_\_\_\_\_ Efficient-Inefficient
  - \_\_\_\_\_ Helpful-Unhelpful
  - \_\_\_\_\_ Prominent-Minor
  - \_\_\_\_\_ Powerful-Powerless
  - \_\_\_\_\_ Inflexible-Flexible
  - \_\_\_\_\_ Responsible-Irresponsible
-

## CONSTRUCTION OF THE SEMANTIC DIFFERENTIAL SCALES

The primary question in constructing semantic differential scales is concerned with the selection of scales to be used. Theoretically, two basic criteria of scale selection are considered: scale relevance and factorial composition.<sup>1</sup>

The scale relevance means the ability of a scale to relate to or describe meaningfully the concepts being judged. Respondents will find it easier to rate a concept on a relevant scale. Moreover, relevant scales provide more sensitive measurement. More variance is obtained in using relevant scales and the variance of ratings involves less random error.<sup>2</sup>

The factorial composition refers to the structure or combination of the factor loadings of all scales on which a concept is judged. The primary objective in a semantic differential study is to obtain the measured meaning of a concept on three major dimensions: evaluative, potency and activity (EPA). These EPA dimensions are independent. Consequently, the implication is that the appropriate scales should measure the dimensions (i.e., scales that have high factor loadings in the EPA dimensions) and, at the same time, give relatively pure measures of the dimensions (i.e., each scale should have a high factor loading on just one single dimension).

The only objective way to select factorially pure scales is on the basis of actual factor analysis. Researchers experienced with the semantic differential scales are aware that intuition is an unreliable guide in selecting factorially pure scales. One can conduct ad hoc factor analyses to learn the factorial composition of new scales, but this is an expensive procedure since studies based on less than 30 concepts and hundreds of subjects are likely to be misleading.<sup>3</sup>

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<sup>1</sup>David R. Heise, "The Semantic Differential and Attitude Research," in Gene F. Summers, editor, *Attitude Measurement* (Chicago: Rand McNally, 1971), p.238.

<sup>2</sup>Barbara B. Koltew, "Some Characteristics of Intrajudge Trait Intercorrelations," *Psychological Monograph*, Vol.75 (1967), p.33, and B.S. Mitsos, "Personal Constructs and the Semantic Differential," *Journal of Abnormal and Social Psychology*, Vol.62 (1961), pp.433-434, as quoted by Heise, loc.cit.

<sup>3</sup>Heise, op.cit., pp.238-239.



**Table F-1: Semantic Scales with Known Factor Loadings**

Dimension	Concept		
	Concept A <sup>a</sup>	Concept B <sup>b</sup>	Concept C <sup>c</sup> , D <sup>d</sup> and E <sup>e</sup>
Evaluative	Successful-Unsuccessful (0.53) <sup>f</sup> Harmonious-Quarrelsome (0.49) Good-Bad (1.00)	Successful-Unsuccessful (0.53) Influential-Uninfluential (0.38) Good-Bad (1.00) Right-Wrong (0.40)	Influential-Uninfluential (0.38) Successful-Unsuccessful (0.53)
Potency	Strong-Weak (0.40)	Strong-Weak (0.40)	Strong-Weak (0.40)
Activity	Active-Passive (0.98)	Active-Passive (0.98)	Active-Passive (0.98)
Stability	Stable-Unstable (0.19)	Stable-Unstable (0.19)	Stable-Unstable (0.19)
Total Number of Scales	6	7	5

Notes:

- <sup>a</sup> Concept A: Government and business relations in Thailand during the past 12 months.
- <sup>b</sup> Concept B: Government economic policy during the past 12 months.
- <sup>c</sup> Concept C: Thai bureaucrats.
- <sup>d</sup> Concept D: Thai businessmen.
- <sup>e</sup> Concept E: Foreign businessmen in Thailand.
- <sup>f</sup> The figures in parentheses are the factor loadings of scales.

According to these two criteria and with the limitation just stated, the more appropriate and convenient but theoretically accepted method of selecting the scales is to choose relevant scales with known factor loadings from the previous studies done by other researchers. In this case the thesaurus study by Osgood and others was chosen. The study provides as many as 76 scales of known factor loadings.<sup>4</sup>

The relevant scales selected from the thesaurus study of Osgood and others for each dimension of the concepts investigated by this research is shown in Table F-1. Six scale from the study were chosen for concept A, seven for concept B, and five for concept C, D and E. However, it was felt that more scales ought to be added for each concept for a few reasons.

First, there are interesting relevant scales other than those shown in the Table F-1. Second, since a good mix and alternation of scales with different factor loadings is a desirable feature of semantic measurement, a greater number of scales will make this task easier.

In order to be objective in choosing more scales to be added to the scales with known factor loadings, a pilot study questionnaire was constructed and distributed to twenty students studying economics at Thammasat University in Bangkok. The questionnaire presents the respondent with the five concepts under study (A, B, C, D and E) and asks him to rank ten pairs of descriptive adjectives underneath each concept according to their relevance to or ability to describe the concept above them.

The results are as shown in Table F-2. The average rank of each pair of adjectives was calculated by using the frequency in each ranking as the weighting factors. Even though, theoretically, algebraic calculation of ordinal numbers is not appropriate, it was done here because at least the average rank of each pair of adjectives can be used as a rough indicator for choosing objectively which scales are more suitable for the concepts under consideration.

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<sup>4</sup>Charles E. Osgood et al., *The Measurement of Meaning* (Urbana: University of Illinois Press, 1957), pp.53-61.

**Table F-2: Results of the Pilot Study**

<b>Concept 1</b>													
Scales	Frequency										AV	Rank	
	1	2	3	4	5	6	7	8	9	10			
Biased-Impartial	2	1	3	3	3	3	2	0	2	1	5.00	4	
Deteriorating-Improving	2	0	0	4	3	0	5	5	0	1	5.90	7	
Fruitful-Fruitless	3	3	2	2	1	3	1	2	0	3	4.95	3	
Distant-Intimate	5	6	4	2	1	1	1	0	0	0	2.75	1	
Valuable-Worthless	1	3	2	1	2	2	2	3	2	2	5.75	5	
Effective-Ineffective	1	0	0	1	1	2	2	5	4	4	7.60	10	
Flexible-Inflexible	0	3	4	0	3	2	2	0	3	3	5.80	6	
Tense-Relaxed	4	4	5	3	1	1	0	2	0	0	3.30	2	
Interesting-Boring	1	0	0	2	2	3	2	3	4	3	7.05	9	
Satisfactory-Unsatisfactory	1	0	0	2	3	3	3	0	5	3	6.90	8	
<b>Total</b>	<b>20</b>	<b>20</b>	<b>20</b>	<b>20</b>	<b>20</b>	<b>20</b>	<b>20</b>	<b>20</b>	<b>20</b>	<b>20</b>			

<b>Concept 2</b>													
Scales	Frequency										AV	Rank	
	1	2	3	4	5	6	7	8	9	10			
Effective-Ineffective	4	4	4	2	3	2	0	1	0	0	3.35	1	
Fruitful-Fruitless	0	0	2	0	2	2	3	5	3	3	7.30	10	
Biased-Impartial	2	2	2	1	6	3	2	2	0	0	4.70	3	
Efficient-Inefficient	5	2	4	4	1	1	1	2	0	0	3.55	2	
Powerful-Powerless	0	2	3	5	1	5	0	0	2	2	5.30	5	
Valuable-Worthless	1	2	2	1	1	1	2	1	4	5	6.70	9	
Flexible-Inflexible	2	2	3	3	2	3	2	2	1	4	4.75	4	
Practical-Impractical	3	1	0	0	2	1	3	2	5	3	6.65	8	
Prudent-Imprudent	0	4	0	3	0	1	3	4	2	3	6.35	6	
Clear-Obscure	3	1	0	1	2	1	4	1	4	3	6.40	7	
<b>Total</b>	<b>20</b>	<b>20</b>	<b>20</b>	<b>20</b>	<b>20</b>	<b>20</b>	<b>20</b>	<b>20</b>	<b>20</b>	<b>20</b>			

<b>Concept 3</b>													
Scales	Frequency										AV	Rank	
	1	2	3	4	5	6	7	8	9	10			
Competent-Incompetent	0	2	4	1	2	4	3	1	2	1	6.15	7	
Cooperative-Uncooperative	2	1	4	3	4	3	0	0	1	2	4.75	3	
Modern-Old-fashioned	0	2	0	0	3	2	2	3	4	4	7.25	10	
Biased-Impartial	3	4	3	3	1	0	1	2	2	1	4.40	2	
Efficient-Inefficient	3	0	2	5	2	1	3	2	0	2	5.10	4	
Helpful-Unhelpful	3	4	2	0	0	2	3	2	2	2	5.20	6	
Prominent-Minor	1	0	0	2	2	3	2	3	4	3	7.05	9	
Powerful-Powerless	5	4	2	2	1	0	2	1	1	2	4.15	1	
Inflexible-Flexible	2	1	2	3	3	3	2	3	0	1	5.15	5	
Responsible-Irresponsible	1	2	1	1	2	2	2	3	4	2	6.40	8	
<b>Total</b>	<b>20</b>	<b>20</b>	<b>20</b>	<b>20</b>	<b>20</b>	<b>20</b>	<b>20</b>	<b>20</b>	<b>20</b>	<b>20</b>			

**Table F-3: Semantic Scales with Unknown Factor Loadings**

		Concept	
Dimension	Concept A <sup>a</sup>	Concept B <sup>b</sup>	Concept C <sup>c</sup> , D <sup>d</sup> and E <sup>e</sup>
Unassigned	Biased-Impartial Fruitful-Fruitless Distant-Intimate Valuable-Worthless Flexible-Inflexible Tense-Relaxed	Effective-Ineffective Biased-Impartial Efficient-Inefficient Powerful-Powerless Flexible-Inflexible	Competent-Incompetent Cooperative-Uncooperative Biased-Impartial Efficient-Inefficient Helpful-Unhelpful Powerful-Powerless Flexible-Inflexible
Total Number of Scales	6	5	7

- Notes:
- a Concept A: Government and business relation in Thailand during the past 12 months.
  - b Concept B: Government economic policy during the past 12 months.
  - c Concept C: Thai bureaucrats.
  - d Concept D: Thai businessmen.
  - e Concept E: Foreign businessmen in Thailand.

The final total number of scales for each concept was chosen arbitrarily to be twelve. Therefore, the unassigned scales with a higher average rank as calculated from the pilot study results were added to the scales previously chosen from the thesaurus study by Osgood and others. The unassigned scales for each concept are shown in Table F-3.

The scales with known factor loadings and unassigned scales were finally mixed together as shown in the interview schedule for managers (form B) and interview schedule for bureaucrats (see Appendix H and I respectively).

## **Appendix G**

### **Interview Schedule for Business Managers (Form A)**

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**INTERVIEW SCHEDULE FOR BUSINESS MANAGERS (FORM A)**

This interview is part of my Ph.D. research at the Glasgow Business School, University of Glasgow, Scotland. One part of this research studies the interactions between companies and government agencies in Thailand.

The interview is divided into 3 parts:

- i) Part A: Background information on the interviewee and the company;
- ii) Part B: The company's contact and communication with government agencies (institutional interaction); and
- iii) Part C: The impact and influence of government economic policy on the company (policy interaction).

Your anonymity will be strictly observed.

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**Part A: Background information on the interviewee and the company**

1. Company \_\_\_\_\_
2. Age of the interviewee
  - 30 or below       31-40       41-50
  - 51-60       61 or above
3. Sex  Male       Female
4. Training or study abroad such as degree or diploma course
  - No       Yes
5. Professional subject
  - Science, engineering, etc.
  - Social sciences, accounting, law, etc.
6. Years in the company
  - 3 or below       4-6       7-9
  - 10-12       13-15       16 or over
7. Function
  - Chief executive       Production       Marketing
  - Finance       Personnel       Other
8. Years in the present job
  - 3 or below       4-6       7-9
  - 10-12       13-15       16 or over
9. The latest annual turnover of the company
  - Below 300 million baht       300-700
  - Above 700 million baht
10. Type of company
  - Thai       Joint venture
  - Foreign subsidiary
11. Membership of the management team of the company
  - Professional managers
  - Members or relatives of families owning or holding substantial shares in the company
  - Combination of the above two categories
12. Is the company a member of any trade association, chamber of commerce or the like?       Yes       No
13. To what extent do you think the government controls or regulates the industry in which your company is?
  - No Extent       Small
  - Moderate       Great       Very Great
14. ISIC number of the company \_\_\_\_\_

**Part B: The company's contact and communication with government agencies (institutional interaction)**

	Agency 1. Name: _____	Agency 2. Name: _____	Agency 3. Name: _____
1. Could you give me the names of the three most important government agencies that your company contacted or dealt with during the past 12 months?			
2. Could you tell me briefly and clearly as many as possible of the reasons why your company contacted or dealt with this government agency?			
3. Most of the time, was it <u>legally compulsory</u> for your company to contact or deal with this government agency during the past 12 months? 1 = Yes      2 = No			
4. How <u>important</u> was this agency to your company during the past 12 months? Use this scale for your answer. 1 = Not At All      2 = Slightly Important 3 = Important      4 = Very Important 5 = Extremely Important			
5. Please rank these three government agencies according to their importance to your company.			



	Agency 1.	Agency 2.	Agency 3.
6. During the past 12 months, to what extent was your company involved with this agency for the following reasons? Use this scale for your answers. 1 = No Extent    2 = Small Extent 3 = Moderate Extent    4 = Great Extent 5 = Very Great Extent			
a. To negotiate (e.g. agreements of contracts, disputes, joint projects, etc.)			
b. To complain (e.g. about difficulties, government regulations, etc.)			
c. To ask for help (e.g. financial help, advice, recommendations, opinions, etc.)			
d. To send records, reports, or other documents required by this agency			
e. To receive records, reports, or other documents from this agency			
f. To influence (e.g. the agency's services, operations, policies, etc.)			
g. To establish or maintain a relationship with this agency			
h. This government agency is one of your customers			



	Agency 1.	Agency 2.	Agency 3.
10. How many <u>contact persons</u> did your company normally communicate with when dealing with this agency during the past 12 months?	_____ persons	_____ persons	_____ persons
For example, company A normally contacted the Director of the Industrial Economics Division when dealing with the Ministry of Industry	_____ persons	_____ persons	_____ persons
If any,			
a. What was the <u>highest job-level</u> of these contact persons?	_____	_____	_____
Use this scale for your answer.			
1 = Senior Level (such as the Director of Division)			
2 = Middle Level (such as the Head of Section)			
3 = Ordinary Level (such as members of the administrative staff, clerks, etc.)			
b. What was the <u>lowest job-level</u> of these contact persons?	_____	_____	_____
c. How <u>helpful</u> were these contact persons in your dealings with this agency?	_____	_____	_____
Use this scale for your answer.			
1 = Not At All			
2 = Slightly Helpful			
3 = Helpful			
4 = Very Helpful			
5 = Extremely Helpful			

	Agency 1.	Agency 2.	Agency 3.
d. How <u>well acquainted</u> were you personally or your company with these contact persons? Use this scale for your answer. 1 = Not At All      2 = Slightly Acquainted 3 = Moderately Acquainted    4 = Well Acquainted 5 = Very Well Acquainted			
11. During the past 12 months, how <u>frequently</u> has your company communicated or been in contact with this agency? Use this scale for your answer. 0 = No Contact      1 = 1-2 Times 2 = Once Every 3 Months    3 = About Monthly 4 = About Every 2-3 Weeks    5 = About Weekly 6 = About Daily      7 = Many Times Daily			
12. Specifically, how <u>frequently</u> did your company communicate with this agency through each of the following ways during the past 12 months? Use the scale of the previous question a. Telephone calls b. Letters, reports, etc. c. Face-to-face meetings			

	Agency 1.	Agency 2.	Agency 3.
13. In general, what percentage of all this contact and communication with this agency was <u>initiated by people in your company</u> during the past 12 months? Use this scale for your answer.			
1 = 0-20 %			
2 = 21-40 %			
3 = 41-60 %			
4 = 61-80 %			
5 = 81-100 %			
14. Overall, how much <u>difficulty</u> did you experience in your contact with this agency during the past 12 months? Use this scale for your answer.			
1 = No Difficulty			
2 = Little Difficulty			
3 = Moderate Difficulty			
4 = Great Difficulty			
5 = Very Great Difficulty			
15. How <u>satisfied</u> were you with the relationship between your company and this agency during the past 12 months? Use this scale for your answer.			
1 = Not At All			
2 = Slightly Satisfied			
3 = Satisfied			
4 = Very Satisfied			
5 = Extremely Satisfied			

**Part C: The impact and influence of government economic policy on the company (policy interaction)**

	Policy 1. Description:	Policy 2. Description:	Policy 3. Description:
1. Could you briefly and clearly describe the three most important government economic policies, regulations or the like which have had a good effect on your company during the past 12 months?			
2. How good was the effect of this policy? Use this scale for your answer. 1 = Not At All      2 = Slightly Good 3 = Good            4 = Very Good 5 = Extremely Good			
3. Do you think			
a. that the benefits that your company received from this policy came <u>by chance</u> or			
b. that the <u>government intentionally</u> designed this policy to benefit companies like yours or			
c. that your <u>company intentionally</u> planned your business to benefit from this policy or			
d. that the benefits were due to <u>cooperation between government and business</u> or			
e. that you are <u>undecided</u> ?			

4. Could you briefly and clearly describe the three most important government economic policies, regulations or the like which have had a bad effect on your company during the past 12 months? How would you classify the bad effect of this policy?	Policy 1. Description:	Policy 2. Description:	Policy 3. Description:
1 = Individual Company Impact			
2 = Industry-Wide Impact			
3 = Undecided			
5. How <u>bad</u> was the effect of this policy? Use this scale for your answer.			
1 = Not At All			
3 = Bad			
5 = Extremely Bad			
6. Did your company complain about this policy to the government agencies responsible for it?			
1 = Yes (go to 7A)			
2 = No (go to 7B)			

	Policy 1.	Policy 2.	Policy 3.
7A.1 If yes, how did your company complain to the agency about this policy?			
1 = Through a trade association or a chamber of commerce			
2 = Directly to the responsible agency			
3 = Both 1 and 2			
7A.2 How responsive was the agency when your company complained about this policy?			
Use this scale for your answer.			
1 = Not At All			
2 = Slightly Responsive			
3 = Moderately Responsive			
4 = Very Responsive			
5 = Extremely Responsive			
7A.3 How satisfied were you with the response when your company complained to the agency about this policy?			
Use this scale for your answer.			
1 = Not At All			
2 = Slightly Satisfied			
3 = Moderately Satisfied			
4 = Very Satisfied			
5 = Extremely Satisfied			



	Policy 1.	Policy 2.	Policy 3
7B.1 If no, why did your company not complain to the agency about the policy? Please state briefly and clearly as many reasons as possible.			
7B.2 To what extent were these the reasons why your company did not complain to the agency about this policy?			
Use this scale for your answers.			
1 = No Extent      2 = Small Extent			
3 = Moderate Extent   4 = Great Extent			
5 = Very Great Extent			
a. It was difficult to identify which agency was responsible for this policy.			
b. There were no clear or explicit ways of complaining available.			
c. The procedure of making a complaint is too troublesome			
d. You did not think the complaint was the time and effort.			
e. You did not think the agency responsible for this policy would listen to your complaint.			
f. The effect was not too bad.			

8. What are the overall impact of the six government economic policies you just mentioned on these specific aspects of your company during the past 12 months? Use this scale for your answers.

Scale						
Much Lower	Lower	Slightly Lower	The Same	Slightly Higher	Higher	Much Higher
1	2	3	4	5	6	7
Aspects of your company's business					Rating	
1. The total costs of products or services.						
2. The quality of products or services.						
3. The growth of your company.						
4. The efficiency of work in your company.						
5. The profit of your company.						
6. The competitiveness of your company in the market.						
7. The sales volume of your products or services.						

9. In general, what were the overall impact of government economic policy on your company during the past 12 months? Use this scale for your answer.

- |                               |              |
|-------------------------------|--------------|
| ( ) 1 = Very Bad              | ( ) 2 = Bad  |
| ( ) 3 = Slightly Bad          |              |
| ( ) 4 = Balanced or No Effect |              |
| ( ) 5 = Slightly Good         | ( ) 6 = Good |
| ( ) 7 = Very Good             |              |

10. Specifically, how much influence do you think the Thai government's economic policy has on these decisions within your company during the past 12 months?

Use this scale for your answers.

Scale				
No Influence	Little Influence	Moderate Influence	Great Influence	Very Great Influence
1	2	3	4	5

- \_\_\_\_\_ a. Pricing decisions
- \_\_\_\_\_ b. Decisions to enter new markets within Thailand
- \_\_\_\_\_ c. Decisions to enter new markets abroad
- \_\_\_\_\_ d. Decisions to develop or launch new products or services
- \_\_\_\_\_ e. Decisions to abandon existing products or services
- \_\_\_\_\_ f. Manpower decisions
- \_\_\_\_\_ g. Decisions to employ new technology
- \_\_\_\_\_ h. Decisions to decrease or increase production capacity
- \_\_\_\_\_ i. Salary and wage decisions
- \_\_\_\_\_ j. Sales promotion decisions
- \_\_\_\_\_ k. Product or service distribution decisions
- \_\_\_\_\_ l. Output level decisions

11. In general, how much influence do you think the Thai government's economic policy has on your company's business decisions during the past 12 months?

Use this scale for your answer.

- |                              |                          |
|------------------------------|--------------------------|
| ( ) 1 = Not Influence        | ( ) 2 = Little Influence |
| ( ) 3 = Moderate Influence   | ( ) 4 = Great Influence  |
| ( ) 5 = Very Great Influence |                          |

12. Please rank these external factors according to their importance to your company.

- \_\_\_\_\_ a. Political climate
- \_\_\_\_\_ b. Your competitors
- \_\_\_\_\_ c. The government
- \_\_\_\_\_ e. The money market
- \_\_\_\_\_ f. Your customers

**Appendix H**

**Interview Schedule for Business Managers (Form B)**

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**INTERVIEW SCHEDULE FOR BUSINESS MANAGERS (FORM B)**

This interview is part of my Ph.D. research at the Glasgow Business School, University of Glasgow, Scotland. One part of this research studies and compares the opinions of government officials and businessmen about government and business relations in Thailand.

The interview is divided into 3 parts:

- i) Part A: Background information on the interviewee and the company;
- ii) Part B: Your opinion about the economic roles of the government and the private sector; and
- iii) Part C: Your opinion about the appropriate form of government and business relations in Thailand.

Your anonymity will be strictly observed.

---

**Part A: Background information on the interviewee and the company**

1. Company \_\_\_\_\_
2. Age of the interviewee
  - 30 or below       31-40       41-50
  - 51-60       61 or above
3. Sex     Male       Female
4. Training or study abroad such as degree or diploma course
  - No       Yes
5. Professional subject
  - Science, engineering, etc.
  - Social sciences, accounting, law, etc.
6. Years in the company
  - 3 or below       4-6       7-9
  - 10-12       13-15       16 or over
7. Function
  - Chief Executive     Production       Marketing
  - Finance       Personnel       Other
8. Years in the present job
  - 3 or below       4-6       7-9
  - 10-12       13-15       16 or over
9. Company's latest annual turnover
  - Below 300 million baht       300-700
  - Above 700 million baht
10. Type of company
  - Thai       Joint venture
  - Foreign subsidiary
11. Membership of the company's management team
  - Professional managers
  - Members or relatives of the families owning or holding substantial share in the company
  - Combination of the above two categories
12. Is the company a member of any trade association, chamber of commerce or the like?     Yes       No
13. To what extent do you think the government controls or regulates the industry in which your company is?
  - No Extent       Small
  - Moderate       Great       Very Great
14. ISIC number of the company \_\_\_\_\_

**Part B: The economic roles of the government and the private sector**

1. Regarding the Thai economy, please express your opinions about these statements by using the following scale for your answers.

## Scale

Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree
1	2	3	4	5
_____	a.	The economic system which best encourages the growth of businesses in Thailand is the one with the least government intervention.		
_____	b.	In some industries, price levels may be determined by only a few companies, yet the government should not interfere with pricing.		
_____	c.	Regulating the standard of goods and services is something that the government should do.		
_____	d.	The government should promote newly established companies which are not strong enough to compete in the market by giving them subsidies.		
_____	e.	The government should promote newly established companies which are not strong enough to compete in the market by giving them loans at a rate which is lower than that of commercial banks.		
_____	f.	The government should promote newly established companies which are not strong enough to compete in the market by giving them tax concessions.		
_____	g.	Using trade barriers to protect local companies from the competition of big foreign companies is something that the government should do.		
_____	h.	The provision of trade and business information to be distributed to companies is the function for which the government is responsible.		
_____	i.	The government should help companies which are in financial trouble because of bad economic conditions by giving them subsidies.		
_____	j.	The government should help companies which are in financial trouble because of bad economic conditions by giving them loans at a rate which is lower than those of commercial banks.		
_____	k.	The government should help companies which are in financial trouble because of bad economic conditions by giving them tax concessions.		
_____	l.	It is rather difficult for the government to oversee and ensure fair business competition with bias.		
_____	m.	The government should promote companies which are expanding and are in a growth industry by giving them subsidies.		
_____	n.	The government should promote companies which are expanding and are in a growth industry by giving them loans at a rate which is lower than that of commercial banks.		

- \_\_\_\_.o. The government should promote companies which are expanding and are in a growth industry by giving them tax concessions.
- \_\_\_\_ p. Regulating minimum wage levels is something that the government should do.
- \_\_\_\_ q. The level of interest rates should be allowed to float freely without any control such as the fixing of the maximum or minimum rate by the government.
- \_\_\_\_ r. The control of foreign currency exchange is something that the government should do.
- \_\_\_\_ s. Public utilities, such as electricity, water, telecommunication and transportation, should be owned and operated by the government.
- \_\_\_\_ t. Joint ventures between the government and companies are a good strategy for Thailand in promoting industry.

2. Which methods do you think the private sector should use in influencing the government's economic policy making? Please rank the following methods?

- \_\_\_\_ a. Directly participate in policy-making, for example, by being a politician.
- \_\_\_\_ b. Lobby policy-makers.
- \_\_\_\_ c. Be members of business associations such trade associations or chambers of commerce and operate through these associations to influence policy-making.

3. Please express your opinions about these statements by using the following scale for your answers.

Scale

Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree
1	2	3	4	5

- \_\_\_\_ a. The present high level of involvement in politics by businessmen will do more good than harm to the economy of Thailand.
- \_\_\_\_ b. The participation of business in economic policy formulation will make the policy implementation easier.
- \_\_\_\_ c. The participation of business in economic policy formulation will make the policy outcome benefit only a few groups of people.
- \_\_\_\_ d. Business should influence the economic policy making of the government through trade associations or chambers of commerce only.
- \_\_\_\_ e. Economic policy-making should be done by the government only; businessmen should not get involved.

**Part C: The appropriate form of government and business relations in Thailand**

1. Please rank the following according to your preference for how the Thai government should relate to companies.

- \_\_\_\_\_ a. As a facilitator  
 \_\_\_\_\_ b. As a co-planner  
 \_\_\_\_\_ c. As a regulator  
 \_\_\_\_\_ d. As a protector  
 \_\_\_\_\_ e. As a stimulator  
 \_\_\_\_\_ f. As an initiator

2. Please rank the following according to your preference for how companies should relate to the Thai government.

- \_\_\_\_\_ a. As followers  
 \_\_\_\_\_ b. As co-planners  
 \_\_\_\_\_ c. As initiators

3. In this question you are to rate three concepts according to your opinion. Here is an example.

Concept: Rose.

Scale: Beautiful \_\_\_\_\_ Ugly

If you think a rose is VERY BEAUTIFUL, put a check (✓) as shown below.

Scale: Beautiful ✓ \_\_\_\_\_ Ugly

If you think a rose is BEAUTIFUL, put a check (✓) as shown below.

Scale: Beautiful \_\_\_\_\_ ✓ \_\_\_\_\_ Ugly

If you think a rose is SLIGHTLY BEAUTIFUL, put a check (✓) as shown below.

Scale: Beautiful \_\_\_\_\_ ✓ \_\_\_\_\_ Ugly

If you think a rose is NEITHER BEAUTIFUL NOR UGLY, put a check (✓) as shown below.

Scale: Beautiful \_\_\_\_\_ ✓ \_\_\_\_\_ Ugly

If you think a rose is SLIGHTLY UGLY, put a check (✓) as shown below.

Scale: Beautiful \_\_\_\_\_ ✓ \_\_\_\_\_ Ugly

If you think a rose is UGLY, put a check (✓) as shown below.

Scale: Beautiful \_\_\_\_\_ ✓ \_\_\_\_\_ Ugly

If you think a rose is VERY UGLY, put a check (✓) as shown below.

Scale: Beautiful \_\_\_\_\_ ✓ \_\_\_\_\_ Ugly

Rate the concepts at a fairly fast speed. It is the first feeling that happens to you that this question tries to get.



**CONCEPT 1: GOVERNMENT AND BUSINESS RELATIONS IN THAILAND  
DURING THE PAST 12 MONTHS**

Scale	
Successful	Unsuccessful
Biased	Impartial
Harmonious	Quarrelsome
Fruitful	Fruitless
Distant	Intimate
Bad	Good
Valuable	Worthless
Strong	Weak
Flexible	Inflexible
Tense	Relaxed
Active	Passive
Stable	Changeable

**CONCEPT 2: GOVERNMENT ECONOMIC POLICY DURING THE PAST 12  
MONTHS**

Scale	
Successful	Unsuccessful
Influential	Uninfluential
Good	Bad
Effective	Ineffective
Biased	Impartial
Right	WRONG
Efficient	Inefficient
Strong	Weak
Powerful	Powerless
Flexible	Inflexible
Active	Passive
Stable	Changeable

**CONCEPTS 3: THAI BUREAUCRATS**

Scale	
Competent	Incompetent
Cooperative	Uncooperative
Influential	Uninfluential
Biased	Impartial
Efficient	Inefficient
Successful	Unsuccessful
Helpful	Unhelpful
Strong	Weak
Powerful	Powerless
Flexible	Inflexible
Active	Passive
Stable	Changeable

**Appendix I**

**Interview Schedule for Senior Bureaucrats**

---

**INTERVIEW SCHEDULE FOR SENIOR BUREAUCRATS**

This interview is part of my Ph.D. research at the Glasgow Business School, University of Glasgow, Scotland. One part of this research studies and compares the opinions of government officials and businessmen about government and business relations in Thailand.

The interview is divided into 3 parts:

- i) Part A: Background information on the interviewee and the agency
- ii) Part B: Your opinion about the economic roles of the government and the private sector; and
- iii) Part C: Your opinion about the appropriate form of government and business relations in Thailand.

Your anonymity will be strictly observed.

---

**Part A: Background information on the interviewee and the agency**

1. Ministry \_\_\_\_\_
2. Department \_\_\_\_\_
3. Age of the interviewee
  - 30 or below       31-40       41-50
  - 51-60       61 or above
4. Sex     Male       Female
5. Training or study abroad such as degree or diploma course
  - No       Yes
6. Professional subject       Science, engineering, etc
  - Social sciences, accounting, law, etc
7. Years in the bureaucracy
  - 3 or below       4-6       7-9
  - 10-12       13-15       16 or over
8. Years in the present job
  - 3 or below       4-6       7-9
  - 10-12       13-15       16 or over

**Part B: The economic roles of the government and the private sector**

1. Regarding the Thai economy, please express your opinions about these statements by using the following scale for your answers.

Scale

Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree
----- ----- ----- ----- -----				
1	2	3	4	5
_____ a.	The economic system which best encourages the growth of businesses in Thailand is the one with the least government intervention.			
_____ b.	In some industries, price levels may be determined by only a few companies, yet the government should not interfere with pricing.			
_____ c.	Regulating the standard of goods and services is something that the government should do.			
_____ d.	The government should promote newly established companies which are not strong enough to compete in the market by giving them subsidies.			
_____ e.	The government should promote newly established companies which are not strong enough to compete in the market by giving them loans at a rate which is lower than that of commercial banks.			
_____ f.	The government should promote newly established companies which are not strong enough to compete in the market by giving them tax concessions.			
_____ g.	Using trade barriers to protect local companies from the competition of big foreign companies is something that the government should do.			
_____ h.	The provision of trade and business information to be distributed to companies is the function for which the government is responsible.			
_____ i.	The government should help companies which are in financial trouble because of bad economic conditions by giving them subsidies.			
_____ j.	The government should help companies which are in financial trouble because of bad economic conditions by giving them loans at a rate which is lower than those of commercial banks.			
_____ k.	The government should help companies which are in financial trouble because of bad economic conditions by giving them tax concessions.			
_____ l.	It is rather difficult for the government to oversee and ensure fair business competition with bias.			
_____ m.	The government should promote companies which are expanding and are in a growth industry by giving them subsidies.			
_____ n.	The government should promote companies which are expanding and are in a growth industry by giving them loans at a rate which is lower than that of commercial banks.			

- \_\_\_\_\_o. The government should promote companies which are expanding and are in a growth industry by giving them tax concessions.
- \_\_\_\_\_ p. Regulating minimum wage levels is something that the government should do.
- \_\_\_\_\_ q. The level of interest rates should be allowed to float freely without any control such as the fixing of the maximum or minimum rate by the government.
- \_\_\_\_\_ r. The control of foreign currency exchange is something that the government should do.
- \_\_\_\_\_ s. Public utilities, such as electricity, water, telecommunication and transportation, should be owned and operated by the government.
- \_\_\_\_\_ t. Joint ventures between the government and companies are a good strategy for Thailand in promoting industry.

2. Which methods do you think the private sector should use in influencing the government's economic policy making? Please rank the following methods?

- \_\_\_\_\_ a. Directly participate in policy-making, for example, by being a politician.
- \_\_\_\_\_ b. Lobby policy-makers.
- \_\_\_\_\_ c. Be members of business associations such trade associations or chambers of commerce and operate through these associations to influence policy-making.

3. Please express your opinions about these statements by using the following scale for your answers.

Scale

Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree
1	2	3	4	5

- \_\_\_\_\_ a. The present high level of involvement in politics by businessmen will do more good than harm to the economy of Thailand.
- \_\_\_\_\_ b. The participation of business in economic policy formulation will make the policy implementation easier.
- \_\_\_\_\_ c. The participation of business in economic policy formulation will make the policy outcome benefit only a few groups of people.
- \_\_\_\_\_ d. Business should influence the economic policy making of the government through trade associations or chambers of commerce only.
- \_\_\_\_\_ e. Economic policy-making should be done by the government only; businessmen should not get involved.

**Part C: The appropriate form of government and business relations in Thailand**

1. Please rank the following according to your preference for how the Thai government should relate to companies.

- \_\_\_\_\_ a. As a facilitator  
 \_\_\_\_\_ b. As a co-planner  
 \_\_\_\_\_ c. As a regulator  
 \_\_\_\_\_ d. As a protector  
 \_\_\_\_\_ e. As a stimulator  
 \_\_\_\_\_ f. As an initiator

2. Please rank the following according to your preference for how companies should relate to the Thai government.

- \_\_\_\_\_ a. As followers  
 \_\_\_\_\_ b. As co-planners  
 \_\_\_\_\_ c. As initiators

3. In this question you are to rate three concepts according to your opinion. Here is an example.

Concept: Rose.

Scale: Beautiful \_\_\_\_\_ | \_\_\_\_\_ | \_\_\_\_\_ | \_\_\_\_\_ | \_\_\_\_\_ | \_\_\_\_\_ | \_\_\_\_\_ Ugly

If you think a rose is VERY BEAUTIFUL, put a check (✓) as shown below.

Scale: Beautiful ✓ | \_\_\_\_\_ | \_\_\_\_\_ | \_\_\_\_\_ | \_\_\_\_\_ | \_\_\_\_\_ | \_\_\_\_\_ Ugly

If you think a rose is BEAUTIFUL, put a check (✓) as shown below.

Scale: Beautiful \_\_\_\_\_ | ✓ | \_\_\_\_\_ | \_\_\_\_\_ | \_\_\_\_\_ | \_\_\_\_\_ | \_\_\_\_\_ Ugly

If you think a rose is SLIGHTLY BEAUTIFUL, put a check (✓) as shown below.

Scale: Beautiful \_\_\_\_\_ | \_\_\_\_\_ | ✓ | \_\_\_\_\_ | \_\_\_\_\_ | \_\_\_\_\_ | \_\_\_\_\_ Ugly

If you think a rose is NEITHER BEAUTIFUL NOR UGLY, put a check (✓) as shown below.

Scale: Beautiful \_\_\_\_\_ | \_\_\_\_\_ | \_\_\_\_\_ | ✓ | \_\_\_\_\_ | \_\_\_\_\_ | \_\_\_\_\_ Ugly

If you think a rose is SLIGHTLY UGLY, put a check (✓) as shown below.

Scale: Beautiful \_\_\_\_\_ | \_\_\_\_\_ | \_\_\_\_\_ | \_\_\_\_\_ | ✓ | \_\_\_\_\_ | \_\_\_\_\_ Ugly

If you think a rose is UGLY, put a check (✓) as shown below.

Scale: Beautiful \_\_\_\_\_ | \_\_\_\_\_ | \_\_\_\_\_ | \_\_\_\_\_ | \_\_\_\_\_ | ✓ | \_\_\_\_\_ Ugly

If you think a rose is VERY UGLY, put a check (✓) as shown below.

Scale: Beautiful \_\_\_\_\_ | \_\_\_\_\_ | \_\_\_\_\_ | \_\_\_\_\_ | \_\_\_\_\_ | \_\_\_\_\_ | ✓ Ugly

Rate the concepts at a fairly fast speed. It is the first feeling that happens to you that this question tries to get.

**CONCEPT 1: GOVERNMENT AND BUSINESS RELATIONS IN THAILAND  
DURING THE PAST 12 MONTHS**

Scale	
Successful	_____
Biased	_____
Harmonious	_____
Fruitful	_____
Distant	_____
Bad	_____
Valuable	_____
Strong	_____
Flexible	_____
Tense	_____
Active	_____
Stable	_____
Unsuccessful	_____
Impartial	_____
Quarrelsome	_____
Fruitless	_____
Intimate	_____
Good	_____
Worthless	_____
Weak	_____
Inflexible	_____
Relaxed	_____
Passive	_____
Changeable	_____

**CONCEPT 2: THAI BUSINESSMEN**

Scale	
Competent	_____
Cooperative	_____
Influential	_____
Biased	_____
Efficient	_____
Successful	_____
Helpful	_____
Strong	_____
Powerful	_____
Flexible	_____
Active	_____
Stable	_____
Incompetent	_____
Uncooperative	_____
Uninfluential	_____
Impartial	_____
Inefficient	_____
Unsuccessful	_____
Unhelpful	_____
Weak	_____
Powerless	_____
Inflexible	_____
Passive	_____
Changeable	_____

**CONCEPT 3: FOREIGN BUSINESSMEN IN THAILAND**

Scale	
Competent	_____
Cooperative	_____
Influential	_____
Biased	_____
Efficient	_____
Successful	_____
Helpful	_____
Strong	_____
Powerful	_____
Flexible	_____
Active	_____
Stable	_____
Incompetent	_____
Uncooperative	_____
Uninfluential	_____
Impartial	_____
Inefficient	_____
Unsuccessful	_____
Unhelpful	_____
Weak	_____
Powerless	_____
Inflexible	_____
Passive	_____
Changeable	_____

## **Appendix J**

### **The Distribution of Manufacturing Factories in Thailand**



**Table J-1: Numbers of Factories in Bangkok and Other Provinces  
Compiled According to the International Standard of  
Industrial Classification (ISIC) (As up to June 1989)**

ISIC Code	Industry	Number of Factories		
		Bangkok	Other Provinces	Total
3111	Preparing and preserving meat	88	221	309
3112	Diary products	43	227	270
3113	Fruit and vegetable canning	55	179	234
3114	Seafood canning and preserving	20	202	222
3115	Vegetable and animal oils	36	158	194
3116	Grain mill products	257	51,836	52,093
3117	Baked and steamed products	269	853	1122
3118	Sugar	10	154	164
3119	Cocoa, chocolate and sugar confectionary	114	68	182
3121	Other food products	200	1111	1311
3122	Animal feeds	30	316	346
3131	Distilling, rectifying and blending spirits	2	41	43
3132	Wine	0	2	2
3133	Breweries	2	0	2
3134	Soft drinks	60	128	188
3141	Tobacco drying	0	84	84
3142	Tobacco products	8	14	22
3211	Textile spinning and weaving	374	451	825
3212	Man-made textiles	104	55	159
3213	Knitting fills	328	76	404
3214	Carpets, rugs	5	6	11
3215	Cord, rope and twine	23	37	60
3219	Other textiles	22	46	68
3220	Apparel	1364	125	1489
3231	Tanneries, leather finishing, fur-dressing	8	149	157
3233	Leather products and leather substitutes	134	35	169
3240	Footwear	233	39	272
3311	Sawmills, woodmills	618	1,850	2,423
3312	Wooden and cane containers	104	320	424
3319	Other wood and cork products	190	142	332
3320	Furniture, fixtures and flooring	603	727	1,330
3411	Pulp, paper and fibreboard	6	34	40
3412	Containers, paper boxes and paperboard	242	31	273
3419	Other pulp, paper and paperboard articles	70	39	109
3420	Printing and publishing	1,332	109	1441
3511	Basic industrial chemical	23	59	82
3512	Fertilisers and pesticides	6	60	66
3513	Synthetic resins, artificial fibres	6	16	22
3521	Paints, varnishes and lacquers	62	66	128
3522	Drugs and Medicine	210	88	298
3523	Soaps, perfumes, cosmetics and toiletries	102	41	143
3529	Chemical products not elsewhere classified	97	127	224
3530	Petroleum refinery and lubricating oil	2	2	4
3540	Miscellaneous petroleum and coal products	9	21	30
3551	Tyres and tubes	48	149	197
3559	Rubber products not elsewhere classified	182	253	435
3560	Plastic products not elsewhere classified	1,059	285	1,344
3610	Pottery	19	266	285

Table J-1: Continued

ISIC Code	Industry	Number of Factories		
		Bangkok	Other Provinces	Total
3620	Glass and glass products	25	21	46
3691	Structural, clay products	4	584	588
3692	Cement, lime and plaster	4	121	125
3699	Non-metallic mineral products	174	1,124	1,298
3711,3712	Iron, steel works and rolling mills	64	145	209
3720	Non-ferrous metals	173	139	312
3811	Cutlery, hand tools and general hardware	54	41	95
3812	Furniture and fixtures primarily made of metal	176	82	258
3813	Structural, metal products	807	868	1675
3819	Fabricated metal products except machinery	2,370	566	2,936
3821	Engines and turbines	387	2,511	2,898
3822	Agricultural machinery and equipment	149	808	957
3823	Wood and metal working machinery	242	62	304
3824	Special industrial machinery and equipment	190	115	305
3825	Office, computing and accounting machinery	63	13	76
3829	Other machinery and equipment except electrical	487	168	655
3831	Electrical industrial machinery	242	156	398
3832	Radio, television and communication equipment	143	40	183
3833	Electrical appliances and housewares	25	9	34
3839	Other electrical apparatus	201	91	292
3841	Shipbuilding and repairing	77	254	331
3842	Railroad equipment	2	2	4
3843	Motor vehicle	678	904	1,582
3844	Motorcycles, tricycles and bicycles	151	309	460
3845	Aircraft	2	0	2
3849	Other transport equipment	22	4	26
3850	Professional, scientific, controlling, optical goods	65	22	87
3901	Jewellery	200	8	208
3902	Musical instruments	13	1	14
3903	Sporting and athletic goods	15	9	24
3909	Other manufacturing products	157	28	185
Grand total		16,141	70,458	86,599

Source: Industrial Economics Division, Office of the Secretary, Ministry of Industry.

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