State and Industrialisation in Thailand

Emulating the East Asian Experience or Developing an Alternative Model of Development?

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According to the World Bank Miracle Report (World Bank 1993), the Southeast Asian experience seriously questions the "statist" view that activist and dirigist state intervention is a necessary condition for successful late industrialisation:

> "In the newly industrializing economies of Southeast Asia, government intervention played a much less prominent and frequently less instructive role in the economic success, while adherence to policy fundamentals remained important. These economies' capacity to administer and implement specific interventions may have been less than in Northern Asia.
>
> Their rapid growth, moreover, has occurred in a very different international economic environment from the one that Japan, Korea and Taiwan, China encountered during their most rapid growth. Thus the problem is not only to try to understand which specific policies may have contributed to growth, but also to understand the institutional and economic circumstances that made them viable. Indeed, the experience of the Southeast Asian economies today, may prove to have more relevance outside the region than that of Northeast Asia." (World Bank 1993, p.7)

From the point of view of the World Bank the Southeast Asian experience simply underlines the functional approach to growth suggested by the Miracle report which puts particular emphasis on fundamentals such macroeconomic stability, limited price distortions, human capital formation, openness to international trade and foreign technology, while the role of selective interventions ("interventionism") - apart from export push policies - are considered to have played a of minor role or even been destructive for sustainable economic growth.

The suggestion that the Southeast Asian late-comers have a number of attributes that makes them more appropriate as development models has been further justified by other scholars suggesting: that these countries have large mining and agricultural sectors and large and growing service sectors as in most developing countries; that the world capitalist order is felt mainly through foreign direct investments and the Bretton Woods institutions as in most Third World countries; and that most of these countries have been colonized by Western European powers and share a pattern of decolonization similar to the one prevailing in most Third World countries.

An Apparent Paradox and Possible Solutions.

From the point of view of the so-called "revisionist position" or governed market theory, the Southeast Asian experience in general and the Thai experience in particular, constitutes a challenge - an apparent paradox: *How did the economic miracles in Southeast Asia (Thailand) come into being if there was no developmental state endowed with an unusual capacity to master and shape the market forces by means of dirigist policies.*

According to the developmental state model, the impressive growth of the East Asian NICs and Japan was to a large extent a result of strategic state intervention. The East Asian states (Japan, South Korea and Taiwan) guided or governed the market process of resource allocation so as to produce a level of and a composition of investment which was different from what both free trade/simulated free trade policies and ordinary 'interventionist policies' would have produced. Governments have channelled these selective interventions through a variety of specific policies: trade policy, foreign investment policy, fiscal policy, financial policy, competition policy, technology policy etc. (Johnson 1982, Amsden 1989, Wade 1990, Weiss and Hobson 1995).

From a revisionist perspective then, there are three obvious solutions to the paradox presented by in particular the Thai case:

A) the industrial success of the Southeast Asian late comers do not bear comparison with the state guided East Asian NICs (e.g. Wade 1994); *B) the Southeast Asian states are in fact developmental states. Proactive and selective interventions, which included subsidy allocation, combined with performance standards monitored by government agencies were prevalent in Southeast Asia* (e.g. Amsden 1993, Rock 1995); or *C) the Southeast Asian states are not "strong states" but flexible states with tight state-business interaction under state leadership* (e.g. Weiss and Hobson 1995).

In the post-statist literature on Southeast Asia the apparent paradox disappears, too. It is suggested D) that development of institutional capacities i.e. arrangement between units that go beyond arms-length relationships are essential to successful late industrialisation, and that variations in institutional response to similar problems of co-ordination across countries can be considered as functional equivalent but equally competitive institutional solutions. These more society-oriented approaches have stressed the need of "bringing business back in" and emphasised the utility of arrangements involving less domination/leadership and more co-operation between state and business and within the business world itself.

Richard Doner, who is a leading representative of this position, specify the content of "a broader institutionalism that (1) incorporates private sector and public sector arrangement, (2) appreciates the coalitional bases of such arrangements, and (3) recognizes the utility of combining political support for local firms with pressure on them to conform to market forces". In order to avoid prejudging institutional solutions this approach advocates a problem-specific and not institution-specific research procedure. It starts out from specific problems of collective action, such as protection versus competition or upstream versus down downstream production. Empirically, it draws attention to non-market institutions such as business groups, networks, business-interest associations and public-private sector consultation (Doner 1991 and Hawes and Liu 1993).

A broad and open-ended approach to the study of the institutional bases of economic growth is also prevalent in the governance regime approach developed by Campbell, Lindberg, Hollingworth, Schmitter and Streeck in their comparative analyses of industrial governance regimes in the advanced capitalist countries (Campbell et al 1991, Hollingsworth et al 1994).

They construct five ideal types of governance mechanisms - market governance (hard contracting), hierarchies (vertical integration), states (authoritative regulation), networks (soft contracting) and associations (self-regulation). In the real world, they argue, we find a system or a regime of governance which consist of a distinctive mix of these modes or mechanisms of governance. According to Hollingsworth and Streeck, these regimes of governance "differ in the way in which these, and possibly other, elements are configured - in particular, the way in which market and corporate hierarchy relations are embedded in community structures, moderated by associational bargains, and conceded, protected, facilitated, promoted, subsidised, privileged, prescribed, or, for that matter, outlawed by the state. The resulting institutional configuration governs economic transactions by, among other things, generating and sanctioning motivations for gainful exchange, setting prices, standardising products, providing and maintaining durable relations between traders, enforcing contracts, ensuring hierarchical compliance, arranging for co-operation in the face of competition, and extracting contributions to the generation and maintenance of collective resources without which the rational pursuit of self-interest would be self-defeating or yield less than optimal results" (Hollingsworth et al 1994, 270-71).

The Propositions to be Discussed.

The following discussion aims at positioning the Thai experience in relation to what could broadly be characterised as a neo-classical, neo-statist and post-statist approaches, each of them containing a core proposition:

- *Proposition 1: 'Getting fundamental right'* (including getting prices right) is a necessary condition for successful late industrialisation

- *Proposition 2 : Activist and dirigist state intervention* - strategic industrial policies -is a necessary condition for successful (late) industrialisation,

- *Proposition 3:* Development of *institutional capacities* i.e. arrangement between units that go beyond arms-length relationships is essential to successful late industrialisation. Variations in institutional response to *similar problems of co-ordination* across countries can be considered as functional equivalent but equally competitive institutional solutions.

Before turning to Thai industrial policies and performance, it might be fruitful to consider successful late industrialisation as a way of avoiding failures of various kinds.

Avoiding Failures in Late Industrialisation.

Japan and the East Asian NICs have been able to obtain a high level of growth and a rise of skill-intensive and high-value added industries that has given them a rising position in the international per-capita-income-and technological-sophistication league. To a large extent it could be argued that successful processes of late industrialisation in the countries were due to their ability to avoid market failures/strategic failures, government failures, ISI failures and EOI failures, and that avoiding these failures is crucial for late-latecomers, too[1].

First, it is important to avoid *market failures* and in particular the type of market failures that are sometimes named strategic failures. The more traditional market failures are concerned with micro-economic efficiency of resource allocation. Market failures of that type arise when, the working of the market leads to non-effective allocation of resources, i.e. optimal private solutions does not bring about optimal societal solutions. The main sources to this type of failures are: imperfect competition (monopoly), externalities, and insufficient information produced and transmitted by the market. *Strategic failures* are related to dynamic capitalist transformation and are failures in generating new resources rather than failures in allocating existing resources. They typically arise when the market mechanism fails to achieve a socially desirable structural change and holds back processes of investment and innovation and fail to capture economies of cumulative technological learning. Justman and Teubal contend that "over and above "simple" or orthodox market failure, the growth process encounters more fundamental failures associated with discrete strategic choices among alternative paths or types of

[1] Please notice that the different failures do not represent exclusive categories.

structural change ("strategic failures"). These involve not only market failures, but also the possible failure of public and private decision making mechanisms and institutions to co-ordinate among the infrastructure elements for new industries, at the junctures of structural change: physical infrastructure; technological capabilities; marketing infrastructure; and financial institutions" (Justman and Teubal 1991,1180) .[2]

Government failures constitute a third type of failures and normally four kinds of sources are referred to: the presence of distributional coalitions (and short-term calculations of politicians); predatory behaviour of part of the bureaucrats and politicians; lack of well-trained, competent bureaucrats in key policy-making agencies; and lack of information on the business sector-leading to "picking losers" rather than "picking winners".

In the writings on industrialisation, certain failures of import substitutions strategies - *ISI failures* - are normally referred to: inefficiency, favouring of relative capital-intensive production thus limiting the expansion of employment; favouring import of components and raw materials; a high level of technological dependency; discouraging export and thereby foreign exchange earning and access to sophisticated customers etc. Less often mentioned are the obvious failures of light export-led industrialisation. Such *EOI failures* encompasses: specialising in low-value added activities, i.e. following "the low road with low-productivity and low wages"; having a low level of innovative processes and low technological capability; having a high import content in production and few local linkages; dominance by transnational companies with limited diffusion of technology; serving fairly volatile parts of the world market and attracting 'footloose' enterprises which may result in unstable and short term firm strategies.

In this listing of possible failures, strategic failures, ISI failures and EOI failures are of particular relevance as it could be argued that the successful East Asian NICs to a considerable extent have been able to :

1) *Exploit the potential advantages of export-oriented industrialisation* (such as favouring efficient utilisation of existing resources through international competition, achieving economies of scale, improving products quality as a result of the continuous

[2] For a listing of various kinds of "strategic failures", see also UNCTAD 1994, 50.

feedback and learning from export markets, generating higher and more stable foreign exchange earnings and creating employment opportunities) *while at the same time being able to avoid most of the EOI failures* mentioned above.

2) *Exploit the potential advantages of import substitution industrialisation* (such as accelerating the process of capital accumulation, allocating and re-allocating resources to sectors and branches with a high growth potential, protecting dynamic learning processes in new production areas, improving accumulation of skills and technology changing capabilities) *while avoiding most of the ISI-failures* mentioned above.

Therefore, the *efficient ISI cum EOI strategies* of the East Asian type, seem to have been able to tackle not just the traditional market failures but also the strategic failures of industrial development. Moreover, there are reason to believe that the particular political bases and institutional structure in these countries has minimised *government failures* to an considerable extent.[3] How the does the Thai experience fit into this picture? Has Thailand emulated this ISI cum EOI model? Have industrial policies in general and strategic industrial policies in particular played a vital role in Thailand's late-industrialisation? We will now turn to these questions and the above mentioned propositions.

Thailand - Industrial Performance

Thailand belongs to a group of Southeast Asian late comers which have experienced a rapid economic growth during the last decade. At a macro-level Thailand's economic performance is quite impressive. It has recorded rapid and sustained growth as the average annual growth in GDP during the period 1970-80 and 1980-92 was 7.1 per cent and 8.2 per cent, respectively. Moreover, Thailand has not experienced a single year of negative growth since 1970, even when calculated in per capita terms. Per capita GNP growth was 6 per cent during the total 1980-92 period. (World Bank 1994 table 1 and 2, Annex).

[3] On this issue please refer to the prior discussion in the other contribution of mine to this volume "The developmental state and the Asian miracles: an introduction to the debate" .

The structure of the Thai economy has also changed. The share of manufacturing in GDP has increased from 28 per cent in 1980 to 37 per cent in 1992 and export of manufacturing products accounted for almost 77 per cent of the total export in 1992 compared with 32 per cent in 1980 (BOI 1993, p. 5 and p. 14). However the manufacturing industry in 1990-92 only employed 6 per cent of the workforce compared with 70 percent in agriculture. According to UNDP's Human Development Report 1994, Thailand belongs to the top 5 group of countries when considering the absolute growth in the Human Development (HDI) Index, and it had 18th highest HDI value among developing countries in 1992 (UNDP 1994).

Finally, it should be stressed that this rapid capitalist transformation has not occurred without considerable costs in both environmental and social terms. The latter referring to increasing inequalities between social groups and regions.

Thailand - State Policy and State Institutions.

Generally, Thailand has followed a fairly conservative and stable *macroeconomic policy*, and controls over credits and foreign exchange have been rather weak: a) The nominal foreign exchange range has been tied to the dollar (since 1984 to a basket of currencies dominated by the dollar) and the real echoing rate was kept fairly stable for long periods; b) fiscal deficits were generally small; c) inflation was generally low and determined by world price movements; and d) foreign debts have increased but in a manageable manner.

Macroeconomic policies have been left to "the technocrats" in the Budget Bureau, The Ministry of Finance, The Bank of Thailand and The National Economic and Social Development Board. These central economic agencies have in general been protected from pressure and penetration from outside, even from the parliament members because ordinary members can only propose budget adjustment in downward direction.

Consequently, in the Thai case it seems reasonable to argue that these comparatively orthodox macroeconomic policies have led to fairly stable macro-economic conditions which in turn stimulated domestic and foreign investments and economic growth in the country.

The role of *industrial policies and institutions* is much more contested. The dominant interpretation juxtaposes the growth-promoting macro-economic policies with the activist and ineffective sectoral policies, including industrial policies, and the weak sector policy institutions. As the legislative is weak and as laws in Thailand are fairly general, they leave a high level of administrative discretion to officials. It is argued that in contrast to macro-economic agencies, line agencies are not insulated neither from the military elite/the political elite ("from above") nor from outside pressure from individual firms or organised business ("from below"). As a consequence, patronage has continued to play a vital role in sector agencies and the organisation of sectoral policies has remained fragmented and uncoordinated. Therefore, there has been no coherent and uniform strategy based on a sectoral-based philosophy but only ad hoc commodity or industry-specific management in which each agency has followed its own particularistic goals. (Christensen et al 1993, Christensen and Siamvella 1993, Christensen 1993, Doner and Siroros 1992)

In Thailand, trade and industrialisation policies are organised through a variety of institutions and problems of co-ordination and overlapping jurisdiction are not uncommon. The most important industry policy institutions are: a) the Board of Investment (BOI) which is responsible for promoting investments. Promotional privileges include exemption or reduction of import duties on imported machinery, reductions of up to 90% of import duties on imported raw materials and components, exemption of corporate income taxes for 3 to 8 years and ban on competing imports or imposition of a surcharge on imports at a rate not exceeding 50% of the CIF value for a period of not more than 1 year at time; b) the Bank of Thailand which offers subsidised interest rates on short-term credit and the Industrial Finance Corporation of Thailand which provides medium-term and long-term loans to industrial enterprises; c) the Ministry of Finance which administers tariff policy, d) the Ministry of Commerce which administers quantitative import control and price control; e) the Ministry of Industry, which controls construction and expansion of factories and administer the local content requirements; and f) the Ministry of Science and Technology and Environment, which is responsible for technology policy.

According to the above mentioned interpretation, the weak and fragmented structure of industrial policy making has certain advantages. Firstly, it gives business numerous point of access and thereby easy access to the state apparatus. Secondly, the balkanised Thai state is highly flexible which weakens the potential of stable rent seeking coalitions or monopolies.

The question is of course, whether this is a fair description of industrial policies and related institutional arrangements in Thailand. Have industrial policies really been "activist but with no effect"? Is macro-economic policies the only policy area with coherent and effective policies, and is industry policy making in Thailand nothing else than narrow distributional policies? An answer to these questions would require detailed empirical investigations but here I will just refer to the findings and arguments put forward by Michael Rock. In contrast to the "irrelevance of industrial policies" description of industrial policies as limited, incoherent and of a rent-seeking kind, Rock advances a neo-statist interpretation, and argues that industrial policies were selective, extensive and effective. According to Rock, the Thai state is not so different from its counterparts in Northeast Asia and "it is important not to confuse opaque, cumbersome, subject to delay, consensus building policy making processes with a rent-seeking feudalization of administration. Its time to recognize just how pragmatic, flexible, and non-ideological that Thai state is." (Rock 1995, 26). More specifically, Rock argues that selective and effective intervention can be found in agricultural markets having effects on early industrialisation, during the first stage of import substitution industrialisation in the 1960s, during the second phase of ISI in the 1970s, and finally in the drive towards export-led industrialisation during the 1980s. Industrial policies in Thailand then was not part of a big coherent strategy but that" does not prove that industrial policy was irrelevant" to Thai industrial growth and export.

I tend to agree with Michael Rock and others (see e.g. Jansen 1991) who suggest that industrial policies (including trade policies) have been important in at least two aspects: First, local industries have been protected and subsidised by securing high prices at the domestic market combined with low input prices on imported inputs and labour (due the large labour reserve in agriculture and repression of trade unions). Second, export-industries were allowed and later supported through specific incentives.

Moreover, the technical capacity of the line agencies have improved over time just as state-business interaction has changed considerable through the decline of "bureaucratic polity" and the rise of business association, and institutions of state-business deliberation have been established (Laothamatas 1992).

> "The irrelevance of industrial policies" thesis underestimates the way in which micro-economic policies have significantly influenced the industrial structure in Thailand and how it has accelerated the speed of industrialisation. However, that does not imply that the Thai state has been able to emulate the Northeast Asian experience.

Thailand - Avoiding Failures and Exploiting Potentialities?

From the discussion above, it is obvious that Thailand to a considerable extent has avoided *government failures* in macro-economic institutions, and although being minimised during the last decade, government failures are not absent in the working of the sectoral state institutions.

To what extent then has Thailand been able to exploit the potential advantages of, and avoid the possible failures of ISI and EOI strategies, respectively?

Since the 1960s, protective, selective and promotional policies by the Government have stimulated the growth of a strong group of Thai industrialist mainly of Sino-Thai origin, i.e. the state has played a significant role in the formation of these large domestic industrial conglomerates. Furthermore, the large domestic market has made it possible for firms to benefit from economies of scale, and the combined effect of some domestic competition and moderate protection was the rise of mature and not too inefficient enterprises in protected sectors. However, the particular Thai version of ISI was not free from significant ISI failures. The overall contribution to employment generation has been modest, modern downstream industries have been dependent on import of intermediate goods and capital goods and there has been few inter-industry linkages that are Thai controlled.

During the last decade Thailand has become a new exporter of manufactured goods. Although, Thai export is becoming still more diversified, it is dominated by low-value added industries exporting garments, electronic components, electrical appliances, gems and jewellery (plus various agricultural products such as rice, tapiocca, rubber and finally fishery products). Apart from this light industry bias reflecting an unbalanced industrial structure with emphasis on consumer goods industries and slow structural change, Thai manufactured export has been characterised by a high level of import-dependence, and a significant presence of foreign investors from in particular Japan and the East Asian NICs, many of whom are relatively footloose - involved in export of manufacturing components and final products which might move on to lower wage countries such as Vietnam and China.

The Thai case thus appears to be a mixed case. To a certain extent the potential advantages of import-substitution and export-oriented industrialisation has been achieved but many EOI and ISI failures are still present, as are many market failures of both the orthodox and strategic type.

Therefore, it seems safe to conclude that the Thai ISI cum EOI strategy is not similar to the East Asian type. In a recent study of technological capabilities in biotechnology-based, materials-technology based and electronics and information technology-based industries in Thailand, the authors came up with the following summary: "This implies that Thai exporters in the three sectors are relatively ill-equipped to seize opportunities and exploit potential "dynamic" comparative advantages, and are only capable of fully exploiting their "static" comparative advantage, for which technologically-intensive activities are not required. These results strongly suggests that Thailand's industries are not in the same league as those of Korea, Taiwan and Singapore at comparable points in their industrial development. Thailand's' current industrial success is believed then to be due to principally to favourable short-term and medium-term trends in worlds markets, and not to well-conceived technological strategies for self-sustained industrial development." (TDRI, 1992, 78-79).

The quotation illustrates the predominant "no-technology-problem-attitude" which are found in most Thai enterprises. Even the most advanced firms "play safe" and buy technology packages from overseas rather than following a more demanding " import-learn-develop-and- conquer strategy". For many years large Thai enterprises have successfully followed a short-term profit-seeking strategy and expanded under state-protection. According to Akira Suehiro, the strategic orientation and attitude towards technology is also linked to the particular origin of industrial conglomerates in Thailand. Generally, they have not been set up by technical workers or owners of small-sized factories, but by commercial capital groups and even industrial groups have been more concerned with the commercial activities related to the manufacturing industry than the production process itself. The inclination towards quick returns, market-orientation and the lack of attention towards technological change might therefore be a result of the "commercial" rather than the "manufacturing" trajectory followed by the dominant industrial groups in Thailand.[4]

"In the case of Thailand, most of the industrial groups which have developed from the 1960s stemmed from the merchant class in origin. Their goal is to improve and rationalise commercial activities, not the production activities. In addition, the joint-venture system enabled them to entrust foreign partners to maintain the production process of their products." (Suehiro 1985, 7-16)

Concluding Remarks.

Where does all this leave us in relation to the three propositions presented above?

- *Proposition 1: 'Getting fundamental right'* is a necessary condition for successful late industrialisation.

The Thai state certainly succeeded in getting macro-economic policies and even other fundamentals right.[5] Industrial growth rates in Thailand have been impressive and stable macro-economic conditions undoubtedly were instrumental in promoting domestic and foreign investments. Other factors however have been important too, one being a large inflow of investors from Japan and the Asian NICs looking for investment sites with: lower labour costs, weaker environmental regulation, more favourable exchange rates, and quotas on main markets in Western Europe and the United States. Another being the particular significance of a diversified agrarian sector and related processing industries. If successful late industrialisation refers to

[4] This market-orientation has in many areas lead to fairly advanced marketing capabilites which appear to be one of the assets Thai groups contribute with in joint venture arrangement with foreign firms.

[5] Please refer to the findings in the World Bank Miracle Report. (World Bank, 1993, chapter 3)

a rise of skill-intensive and high-value added industries that gives a nation rising position in the international per-capita-income-and technological-sophistication league, Thailand has yet to demonstrate this capacity by moving into more high-value added industries and start "catching-up" with the advanced capitalist countries

- *Proposition 2 Activist and dirigist state intervention* is a necessary condition for successful late industrialisation.

So far Thai industrial enterprises with support from local financial capital have demonstrated their capacity to exploit relations with foreign capital and ties with sections of the political elite, to build up and expand a predominantly light industry, parts of which have been able to expand in international markets. Although industrial policies have not taken the form of broad-based coherent policies based on a particular philosophy, they have probably affected both the structure and the speed of industrialisation. As Thailand is just in the process of entering the 'catching-up' process, and as most observes agree that the present supply of policies and institutions is insufficient in relation to future needs for effective and competitive sectoral interventions in such a future process of industrial upgrading. the Thai case does not invalidate the second proposition. The case just demonstrates that industrialisation in Thailand so far has relied more on macro-economic stability and less on sectoral dirigism that has been the case in Northeast Asia. The Thai model of industrialisation might prove to be more fragile than growth rates and the present export performance tell us.

- *Proposition 3* Development of *institutional capacities* i.e. arrangement between units that go beyond arms-length relationships essential to successful late industrialisation. Variations in institutional response to *similar problems of co-ordination* across countries can be considered as functional equivalent but equally competitive institutional solutions.

Non-state governance or non-market and non-state institutions have played a substantial role in capitalist industrialisation in Thailand.

Business groups and particular large industrial conglomerates mostly of Chinese origin are the main private players in the modern business sector in Southeast Asia - in Thailand. They allocate capital among diversified activities and a substantial amount of the economic transactions are inside these business groups and between them and their extra-firm partners in the public and private sphere in Thailand and abroad.

Regularised networks between enterprises have played an important role, too. Among the intra-national networks, networks around Thailand's commercial banks which are owned by 16 families of Chinese origin are of particular importance. These banks have to a substantial degree raised capital and allocated capital to finance industrialisation, i.e. they have taken over some investment co-ordination functions. Thus commercial banks in general, and in particular the powerful Bangkok Bank, have intervened into various upstream-downstream conflicts among firms.

Associational activities and the role of organised business has gone up, too. Business associations are increasingly involved in economic policy making through institutionalised channels such as the Joint Public-Private Consultative Committees (JPPCCs) and through frequent consultations, meetings and seminars. Originally, businessmen were placed in a subordinate position - being so-called 'pariah entrepreneurs' in relation to the ruling military and bureaucratic leadership. Attempts to protect business interests had to take place in a covert and individualised clientalist fashion. However this has changed since the mid-1970s and in particular the last three years. The rising position of organised business vis-a-vis the state is due to three changes: The rise of a modern business sector as a result of rapid capitalist growth; the gradual fading of the ethnically based 'pariah status' due to 'Thaification' of the Chinese into Sino-Thai economic elite; and the decline of authoritarian rule which has created new access points for extra-bureaucratic groups in general, and business associations in particular. (Christensen et al 1993). According to Laothamatas, business associations have also entered "economic collective work" carrying out activities to improve business conditions for the industry they represent. That has especially taken place in export-oriented associations in relation to sales campaigning, trade conflict solution and technological upgrading (Laothamatas 1992, 128-29).

The Thai governance regime, then, is a mixture of state governance, company governance and networking in particular through links between industrial and financial conglomerates. The impressive industrial growth and export performance, do not result from "thin" market activities. Market processes in Thailand, as elsewhere, are embedded in the particular socio-cultural setting, and non-state -non-market institutions have played an important role. Consequently, it is fair to conclude that the way capitalist industrialisation have been organised constitutes an alternative institutional framework, but is still has to shown, that is equally competitive with the more statist East Asian approach.

In sum, assuming that the East Asian NICs have become competitive in still higher value-added manufacturing activities, one can conclude that the economic performance of Thai enterprises do not bear comparison with the state guided East Asian NICs, just as it still has to be shown that the particular Thai regime of governance can be considered as a functional and equally competitive institutional solution to the problems of economic co-ordination in the process of industrial upgrading in a still more competitive global environment.

The World Bank's conclusion concerning the many lessons to be learned from Southeast Asian economies in general and Thailand in particular appears to be somewhat premature. Thailand and probably all Southeast Asian countries can still learn from the East Asian experience. What other countries can learn from the Thai experience has to do with the advantages of macro-economic stability, and the advantages of having access to more foreign exchange sources (agricultural products, industrial products, tourism and labour export).

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