CHAPTER 8

REFORMING LABOR, BELABORING REFORM:
Structural Adjustment in Thailand and East Asia

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Introduction

This chapter comprises part of a larger study of the recent experience of market-oriented economic reform and restructuring in East and Southeast Asia. It argues that the reform process there, as elsewhere in both developing and economically advanced countries, has increasingly encountered its own socio-political limits, and that the reforms have by consequence and to varying degrees been slowed, redirected, and realigned/articulated with larger social and political imperatives. A growing literature now documents and debates this redirection and social realignment of deregulatory market reform in Europe and North America.[1]

Given the generally more socially disruptive and politically intrusive role of market reforms in developing than in developed countries, associated as they often are with externally imposed economic stabilization programs, the critical literature on developing country reform has to date attended largely to the negative social consequences of reform as well as to resulting political opposition and compromised reform projects. This chapter, by contrast, attends to the *institutional* tensions and contradictions associated with those reforms, especially those bearing most directly on workers, and to the ways in which changing reform trajectories have been directed to or addressed those tensions. This chapter's intent is not to discount the powerful role of reform politics in redirecting reform but rather to suggest some of the institutional dilemmas of reform programs that in various ways underlie and influence those politics. Reform politics, embracing both popular sector opposition and intra-elite conflict, are thus viewed alternately as *manifestations* of the institutional tensions of reform and conversely as influencing the manner in which those tensions are managed and accommodated, all within the varying socio-economic contexts of regional locations and sectors.

The author thus seeks to move beyond purely political *or* institutional accounts to an assessment of the outcome of *interactions* between political and institutional forces in influencing reform trajectories, noting especially the ways in which institutional

[1] See, for example, the burgeoning literature on the "Third Way" and the New Left in the industrially advanced countries.

tensions acquire political significance as they are perceived and acted upon: in part by workers but more importantly by elites in the pursuit of their own sometimes conflicting corporate and developmental interests and goals. Without intending to discount the powerful impact of working-class opposition on reform, this chapter will seek to redress an imbalance in critical discussions of reform that foreground popular sector political struggle and fail to take equally seriously the changing and conflicting strategies of elite groups. In a broad sense, it is argued that the problems posed by economic reform and structural adjustment for workers are in many instances problems confronting corporate and government elites as well, and that popular sector opposition must be seen as influencing labor-impacting reforms mainly through its articulation with the interests of dominant elite groups, interests rooted more fundamentally in institutional and strategic economic considerations than in the more ephemeral and typically manageable contingencies of popular-sector political dissent.

While the larger study of which this chapter is a part encompasses China, South Korea, and other countries in Asia,[2] the focus here is mainly on the experience of Thailand since the mid-1990s, particularly those reforms with substantial and relatively direct livelihood implications for labor (broadly defined to include non-supervisory employees, small farmers and farm workers, and self-employed and unpaid family workers). The chapter first briefly notes some of the (real or anticipated) negative implications of market reforms for workers, and then focuses more intensively on the ways in which the reforms have generated institutional, and social tensions that have in turn led to a redirection, slowing, compensatory social buffering, and occasional reversal of key elements of reform. A concluding section then returns to the question of how worker opposition has influenced the reform process.

Reforming Asian Labor

The reforms of greatest importance to workers in Asia, as elsewhere, most prominently relate to labor market deregulation, privatization of state enterprise, trade liberalization, marketization of social services and their devolution to autonomous or private-sector providers, and reduced subsidies to urban consumers and agricultural producers.[3] To varying degrees, these market-augmenting structural and institutional reforms may undermine the livelihood adequacy and economic security of workers in the short to intermediate term, and arguably over the longer term as well.[4] These

[2] Thailand, China, and S. Korea in particular are selected in order to define very divergent political and economic contexts within which to trace some divergent pathways of reform within contrasting national contexts. These, and other 'local' experiences may be seen as illustrating contextually driven variation in modes of insertion into an evolving system of global capitalism.
[3] WTO requirements have only augmented the importance and disruptiveness of several of these reforms.
[4] Long term worker outcomes may arguably be enhanced under the optimistic assumptions of neo-liberal accounts which anticipate reduced consumer prices, enhanced competitiveness of local firms, industrial upgrading, increased exports, expanded job opportunities in new economic sectors, and increased inflows of foreign investment.

negative outcomes have been most severe among workers in cost-sensitive,[5] subsidized and/or protected economic sectors and occupations.

In Thailand, to take one case, privatization, trade liberalization, reduced state subsidization of public goods and utilities, and reduced agricultural price supports have comprised the politically most contentious reform issues for workers and small farmers. Privatization has posed the threat of bankruptcy; layoffs and reduced pay and benefits; reduced state budgetary allocations; and intensified employer cost-cutting. Worker concerns in this area have often been reinforced by resistance on the part of state enterprise managers and directors to reforms, which undermine important sources of patronage and political influence. Similarly, trade liberalization has posed new competitive threats to workers in previously protected economic sectors as employers have sought to meet new competitive pressures through cost-cutting, downsizing, outsourcing, casualization, introduction of performance- based remuneration, and benefits compression not only among low-skill workers in non-critical activities but increasingly among core, skilled workers as well. In many cases, reduced government enforcement of existing labor laws, in part based on the same logic of cost-cutting to meet new competition, has only intensified these threats. Finally, increased reliance on market-based pricing of utilities and public goods alongside reduced price supports and export subsidies for agricultural products has threatened consumers and farmers with increased economic hardship.

While many of these potentially negative outcomes of reform had been noted by critics of reform across Asia well before the economic crisis of the late 1990s, the crisis had a profound effect in revealing the economic risks associated with market reform and thus in politicizing the reform program among vulnerable segments of the population and among disadvantageously positioned economic and government elites.[6] In Thailand, the crisis generated unprecedented levels of political opposition to reform, and thus provided an immediate impetus to the subsequent rethinking and retreat from the Washington Consensus. But to focus exclusively on the politics of reform under the pressure of immediate crisis is to ignore some of the longer term and more enduring social and institutional tensions engendered by market reform. Those tensions, it is argued, define more enduring and fundamental boundaries and limits of reform than immediate circumstances of economic crisis. As well, they impinge more directly on elite strategies of economic competitiveness and growth than do immediate political challenges that can typically be contained through a variety of institutional and policy accommodations or, failing those, repression. For this reason, my account of the social tensions of reform starts from an analytical understanding of underlying institutional tensions and contradictions, and the implications of those tensions for the interests of workers and elites. It is in this larger context that one can better understand the emergent outcomes of reform politics.

[5] I draw a crude but useful distinction here between "cost-driven" labor systems in routine, standardized and labor (vs. skill)-intensive production on the one hand, and "developmental" labor systems requiring constant upgrading of skill, motivation, and employee involvement in critical, core economic activities within and across firms on the other.

[6] Recognizing the mixed effects of reform, this discussion focuses largely on the negative ones, given my emphasis on tensions and pressures driving recent changes in the direction, scope, and speed of Asian economic reforms.

There are five important institutional tensions generated by economic reform for Asian labor systems[7]—tensions that undercut the economic strategies of corporate and government elites. These tensions respectively relate to social processes of a) labor force reproduction, b) social protection, c) developmental upgrading, d) labor discipline, and e) social integration. The first two of these (social reproduction and protection) equally affect workers and elites, albeit in different ways. The remaining three are of greater direct importance to corporate and government elites. The following account of these tensions views them largely from the standpoint of elite interests and strategies rather than of worker livelihood although it must be noted that strategic and livelihood perspectives often overlap. Indeed, such overlap creates the conditions essential for cross-class compromise in both economic and political arenas.

Compromising Social Reproduction

Competition-driven cost-cutting through wage and benefit compression, subcontracting, and casualization threatens to undercut the motivation and capacity of workers to contribute productive labor to employers and, at the extreme, of families to maintain adequate levels of nutrition, health, and accommodation to ensure the social maintenance and reproduction of labor. The more general institutional transformation underlying these problems is that of a progressive *externalization of the costs of the social reproduction of labor from employers and states to individuals, families and communities*.[8] From the standpoint of workers, families and communities are thus increasingly forced to draw on other economic resources and to draw down local social capital (see below) to subsidize family member participation in labor markets. Insofar as women often assume the major burden of social reproduction, the typically greater impact of casualization and cost-cutting on women than men further exacerbates this problem.

A case in point is the reliance in China and Thailand on casual or seasonal migratory labor. Here, labor is called forth on demand from what are essentially labor reserves wherein rural families, communities, and locality-based social networks substantially assume the costs of labor force maintenance and social reproduction. In the case of China, lack of citizen-based entitlement to social services and support on the part of migrant workers in coastal Chinese export-processing areas provides the formal institutional basis for such externalization.

State-directed economic reform encourages such externalization in a variety of ways. First, reform policies of trade liberalization, privatization, and marketization greatly enhance competitive pressures on employers in both private and public sectors. Second, labor market deregulation (variably encompassing decentralized

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[7] Labor systems comprise the interconnected social processes through which potential human labor is reproduced, protected, and transformed into actual or realized labor, socially organized within and across firms, and valorized into profit or surplus (See Frederic Deyo, "Reform, Globalization, and Crisis: Reconstructing Thai Labor." *The Journal of Industrial Relations.* Vol. 42, 2. June, 2000). Examples of labor systems include family-based subcontract household production; labor-intensive, low-skill, export-oriented factory assembly work; and higher skill, technical or supervisory factory work. Labor systems, individually and as organized within larger production systems, industrial clusters, subcontract systems, and commodity chains, variably transcend political boundaries. The clearest example of the global rescaling of labor systems is provided by migrant labor systems.

[8] In the case of migrant labor, such externalization extends to foreign communities and governments.

collective bargaining, reduced institutional support for trade unions, relaxed or diminished health, safety, minimum wage, and other workplace legislation and/or enforcement, and reduced state-mandated employee benefits) encourage labor-cost cutting as a primary strategic response to increased competition. Third, the reform of social insurance schemes (where they exist) through marketization, social service outcontracting, and user-pay approaches to social service delivery shifts the rules of access and eligibility from citizen entitlement to ability to pay. And fourth, the transfer of public goods and utilities from state responsibility to market provision at "realistic" market-determined prices further reduces social service access on the part of many poor families. More generally, reforms that give further encouragement to labor casualization, if only through expansion of economic sectors that utilize labor in this way,[9] tend to reinforce the tensions of cost externalization.

The Crisis of Social Protection

Labor market deregulation undercuts the *livelihood security* of workers as employers are freed from state-mandated social insurance obligations relating to employee job security, severance pay, pension, worker compensation, health insurance, sick pay, and other benefits designed to cushion workers and their families against involuntary interruptions of work and income due to advancing age, economic downturns, employment retrenchment, disability, or illness. Deregulation is thus often associated with a growing casualization of labor, increased reliance on contract and temporary labor, and outsourcing of work to unprotected workers. Underlying these trends, and the corporate (numerical) flexibility they enhance, is a progressive *externalization of market risk from employers and state, to workers, families and communities*.[10]

From the standpoint of employers, welcome relief from the burdensome costs of employee job security and social insurance may be associated as well with less desirable outcomes such as reduced organizational commitment and involvement among skilled workers in core economic activities, a problem discussed in the next section. From the standpoint of governments, the progressive externalization of both social reproduction and market risk to families and communities generates other institutional dilemmas. One such dilemma relates to the capacity of families and communities to sustain workers and their dependents during economic downturns and heightened unemployment. This problem became dramatically evident during the first year of Thailand's financial crisis, when employers and government agencies encouraged Bangkok's laid-off workers to return to their communities of origin in the rural Northeast and North regions of the country. It quickly became apparent that these communities could no longer reabsorb returning family members, and that the social problems of urban unemployment were simply being transferred to rural villages.[11]

[9] Early export-oriented industrialization strategies, entailing selective external market opening, anticipated some of the negative labor outcomes of reform.

[10] Given the rudimentary and narrow coverage of state-sponsored social security provision in developing countries, the reforms have not typically entailed cutbacks in government social protection schemes.

[11] It should be stressed that it was not the financial crisis itself that created the crisis of social reproduction and livelihood security. While it is difficult to disentangle the effects of reform and crisis, the reforms had been underway for 20 years in countries like Thailand and China, and haltingly in South Korea itself. What the late-1990s financial

The Compromising of Developmental Upgrading

Some accounts of the competitive responses of companies to market-augmenting economic reforms describe a dualistic, rather than homogeneous trajectory of changing labor practice: one that seeks to protect core, skilled workers in essential economic activities within firms and among critical suppliers from both layoffs and demoralizing cost-cutting. Under this scenario, firms take a long-term view by enhancing their competitiveness, organizational (vs. numerical) flexibility and external adaptiveness by increasing their investment in human capital and organizational restructuring. In support of such efforts, firms may continue mutual-commitment employment practices among these workers, and thus ensure their continued loyalty and the cost-effectiveness of company training expenditures, even as other less skilled, non-core workers absorb the brunt of the costs of restructuring. The outcome of such dualistic practice is a growing gap in compensation, benefits, and career opportunities between a few core, skilled workers on the one hand, and most other workers on the other.

But contrary to this dualistic account is another more pessimistic view which stresses the way in which heightened competitive pressures associated with market enhancing reforms have the perverse, *anti-developmental* effect of undermining these progressive labor practices even among core workers by shortening the time horizon of firms and rendering such developmental programs of employee and organizational upgrading prohibitively expensive in the face of immediate competitive threats, both domestic and international. And to the extent labor market deregulation further encourages the resulting displacement of developmentalism by cost-driven practices, long-term competitiveness and industrial upgrading are compromised by growing skill deficits as employers pull back from expensive training programs in the face not only of new competitive pressures but of rising employee turnover rates as well, an outcome, in turn, of more market-driven employment relations. Declining worker involvement and loyalty have the further effect of undercutting the participation schemes and normative bases of employee motivation so important to new forms of work organization. Such, in any case, was the outcome of continuing reform under the pressure of Thailand's economic crisis.

From the standpoint of government reform policy, the second and more pessimistic of these scenarios suggests the merit of reform gradualism in order to allow firms time to position themselves for developmental, rather than self-defeating cost-driven competitive strategies. While trade agreements (e.g. WTO, APEC) typically anticipate and accommodate the possible counter-developmental outcomes of rapid market opening in developing countries through negotiated delays in tariff reduction, trade liberalization often has the adverse effect of reinforcing cost-driven strategies that take full advantage of a natural (given) comparative advantage in cheap labor. In this way, *developmental labor systems in more advanced economic sectors may all too*

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crisis did was to exacerbate, more starkly reveal, and thus politicize many of the negative social outcomes of the reforms.

easily be undermined, at great cost not only to employees but to larger national development goals as well.

Undermining Control in the Labor Process

Effective systems of employee control and motivation at the point of production are socially embedded in systems of belief and mutuality. In human capital-intensive and developmental (vs. cost-driven) labor systems, employers seek to capitalize on the knowledge, tacit skills, and inventiveness of skilled (and relatively costly) labor through incentives designed to elicit full involvement and commitment rather than sullen compliance. To the extent cost pressures undermine the costly mutual-commitment employment practices (which may include some combination of economic benefits, accommodation of personal and family needs, investment in training and career-building, and delegation of operational decision-making) that sustain such involvement, a principle foundation of responsible autonomy and competitive developmental upgrading is lost.

In smaller, more poorly resourced domestic firms, both family workers and paid non-family employees may often operate in a more intensely personal system of mutuality which draws on or borrows from available social capital to sustain unpaid family labor, to maintain paid employment during unprofitable periods when wages cannot be paid, and more generally to encourage loyalty and commitment, if not skill and enterprise, among workers. The replenishment of social capital in such firms depends in turn on periodic financial "recapitalization" during more profitable periods.

Where small firms act as suppliers of goods or services to larger client firms, intensified reform-driven competitive pressures may be transferred down supply chains to doubly impact such small domestic firms. In this situation, local firms are forced to rely ever more heavily on obligations of familism and relational social capital (whether appropriately termed paternalism or not) to sustain operations during now chronically difficult times. To the extent such *exploitation of social capital exhausts domestic labor systems*, both families and local firms may fail. This, indeed, is one of the important if unrecognized *institutional* bases for the anti-developmental outcomes of economic restructuring for local firms.[12] Where the failure of these firms undercuts essential supplier networks of large client firms, especially during market downturns or crisis, economic liberalization may paradoxically begin even to threaten the operations of transnational firms.

At first glance, it would appear that marketization and deregulation of employment in cost-driven employment sectors creates fewer institutional tensions than in the case of developmental labor systems insofar as casualization and the use of temporary or contract labor already characterizes employment practices in these sectors. Even here, however, intensified cost pressures associated with increased competition from lower-cost imports may generate disruptive rates of absenteeism, job turnover, low morale, and indiscipline (not to speak of difficulties in recruiting workers and

[12] For results from a recent survey of family firms, see "Family-run businesses under stress." *Bangkok Post*, 28 February 2002.

increased need to import cheap labor from neighboring countries with lower standards of living).

But it is important to again stress that impersonal market-driven employment practices in fact embrace only a minority of workers in cost-driven sectors, and that most of these workers are employed, rather, in small businesses, indeed often in households, wherein worker control is rooted in highly personal relations of mutuality and/or discipline. And again, the real institutional dilemma faced by employers/owners in this larger sector is two-edged: first that of a cost-driven decapitalization of the social basis of discipline; and second, the associated threat to their local social influence and status rooted in the normative relations of family, association, and community.

Tensions of Social Disintegration and Disorder

Finally, there is the larger question of the implications of market reforms for social integration and stability. This question is too broad and complex to be fully addressed here, other than briefly to note a few prominent strands in current critiques of economic reform that attend to this issue of social order. First of course is the matter of growing social inequality, often viewed as an inevitable outcome of market reforms. Such inequality is rooted in the gradual displacement of citizen-based entitlements, social wage, and income redistribution by heightened reliance on market incentives, as well as in dualistic corporate labor practices (see above) and in other structural outcomes of reform. It intensifies social and political polarization and disparity, heightens the social exclusion of marginalized groups, encourages tendencies toward the withdrawal of economically advantaged groups from local civil engagement, and augments a variety of related divisions (including ethnic) which undermine civic traditions and community solidarity. Social disengagement on the part both of "winners," and of excluded or marginalized "losers," encourages anomie and the breakdown of civic norms of acceptable behavior, self-responsibility, and mutual respect.

The problem of social disorder is the public face of social disintegration as society absorbs the externalities of readjustment and risk under economic reform. In a sense social disorder comprises an alternate public response to that of political opposition insofar as it manifests itself not so much in collective action as in a general breakdown of normative social control. Families disintegrate, crime increases, civil behavior diminishes, communities and associations lose their appeal and vitality, the percent voting in elections declines, political cynicism increases, and amoral individualism supplants community involvement.

These various manifestations of the depletion of social capital soon threaten governments with the dilemma of ungovernability, as best illustrated by the recent experience of China. Under Chinese reforms of state-owned enterprises (SOEs), corporate, work-unit, and residency-based eligibility for housing, pension, health care, transportation, education and other elements of livelihood support and security were lost to the many thousands of workers released from state service. These workers, along with the numerous rural migrants entering cities to find factory jobs, enlarged what is often referred to as the floating mass of intermittently employed workers lacking legitimate claim to social support systems. The resulting social disorder (evidenced in growing crime rates, family breakdown, etc.) was officially acknowledged in a 2001 Central Party document as a critical social issue to be addressed through government action.

Elite Responses to the Institutional Tensions of Labor-Impacting Reform

Setting aside for the moment the question of how these various institutional tensions, as well as the political pressures with which they are often associated, have *induced* strategic redirections in ongoing reform programs across the region, we now ask the more limited question of the manner in which elite groups have in fact sought to resolve these tensions. These strategic initiatives may provisionally be grouped into the following categories.

The Corporate Proxy Option: Mandating Company Safeguards

At the heart of labor market deregulation is relaxation of state-imposed rules governing terms of employment, including security of employment, conditions and compensation for work termination, required benefits accorded "regular" employees, limits on casualization, health and safety rules, etc. Policies seeking to *re*-regulate labor markets in order to cope with the social tensions of reform thus might be seen to signal a compromise and reversal of a key area of economic reform. Alternately, such re-regulation, including its broadening to encompass informal sector activities, could be seen as selectively reversing some aspects of reform in order to preserve gains in others, or, more generally, ensuring the social sustainability of the larger program through selective mid-course corrections.

Korea is something of an outlier among the developing Asian countries in the existing scope, penetration, and enforcement of job security as well as in the extent of social conflict engendered by current IMF-encouraged efforts to eliminate those protections through labor-market deregulation. In response to sharp labor opposition, the government has been forced to negotiate safeguards and compensating measures to cushion the impact of such deregulation.

By contrast, effective (enforced) labor regulation in Thailand is largely confined to state enterprise workers. In the private sector, comparable protections are afforded relatively skilled, core activity workers whose bargaining position secures employment protection even in the absence of effective state regulation.[13] Here, as in China, company-based social insurance is mandated largely within the state enterprise sector and among larger private firms. Thus, conflicts relating to privatization become a proxy for a politics of social insurance.

The Welfare Option: Strengthening State-Organized Social Safety Nets

This option, modeled on Western (especially Northern European) social protection schemes in place since the world depression of the 1930s, shares with the first option

[13] For discussion of worker safety and health problems see Brown. Also "Samut Prakan plants target of inspections." *Bangkok Post*, 5 February 2002. "Union wants higher payment for victims: production resumes at Delta Electronics." *Bangkok Post*, 12 February 2002.

a relative incompatibility with the thrust of economic reform. Beyond provision of a very basic set of guarantees for those unable to support themselves at a minimal standard of living,[14] especially during times of economic crisis, Asian regional governments have generally eschewed this option in favor of others.

There are exceptions, to be sure. In Thailand, the populist Thaksin government has introduced a low-cost universal health care program while also extending the Social Security Fund to very small enterprises. It is unclear how effective or sustainable these programs will be.[15] But it is South Korea that offers the clearest exception. As noted above, in response to pressure on the part of strong unions for employment-linked social protections, the Korean government has backpedaled, renegotiated, and compromised in reform efforts to deregulate labor markets. Compromise in the deregulation of private sector labor markets has in part been accompanied by expansion of the (national) social security and welfare coverage of the Basic Livelihood Protection Law (BLPL), which provides for health, unemployment, pension, and worker compensation assistance to workers. In recognition of growing unemployment and expansion of casual, non-protected employment, BLPL coverage was extended in 1999 to include "atypical," irregular, part-time, and dismissed workers. Institutional buttressing of social protection included establishment in 1998 of a Tripartite Commission to develop new forms of worker protection through discussion and consensus among representatives of government, employers, and trade unions (a move seen by more militant unions as partially displacing collective bargaining), and provision for union coverage and protection for teachers.

The Societal Safety-Net Option: Rebuilding Social Capital

In the absence of expanded state protections or adequate corporate provision, governments may choose to bolster those private sector and social institutions to which the burdens of social reproduction, maintenance, and protection are being externalized under market reforms and/or labor market deregulation. This option sits easily with corporate and reform-driven state objectives, despite its necessary up-front costs, by enhancing the viability of external agencies and institutions capable of absorbing these costs and risks while also absolving the state of major long-term responsibility in this area.

The relative compatibility of the social capacity building option with the broader reform agenda explains the strong support such programs have enjoyed from the World Bank and Asia Development Bank over recent years. Indeed, growing multilateral support, programmatic as well as financial, for "social safety nets" in Asia

[14] The World Bank has generally promoted state safety nets circumscribed by programmatic commitment to careful targeting, means-testing, and confinement to basic essentials.

[15] The Social Security Fund in pact covers only a small percentage of the total work force (6 million of a total of 33.08 million in 2000). The National Health Insurance Bill in fact undercuts the Social Security Fund's health coverage through a proposal to replace SSF health insurance by the national health care program with its substantially reduced benefits. See "Budget chief wants wealthy out of scheme." *Bangkok Post*, 4 January 2002. Also "Labor leaders dead against government social security plan." *Bangkok Post*, 2 February 2002. "Second-class scheme for poor picked." *Bangkok Post*, 16 February 2002. For a more general assessment of the sustainability of these programs, see "Government given thumbs-down." *Bangkok Post*, 4 February 2002.

and the developing world, particularly in the context of the regional economic crisis of the late 1990s, has led some observers to suggest a tentative "leftward shift" among international agencies. However, it should be noted that by "social safety nets" are not primarily meant comprehensive state-organized social insurance programs. Rather they have referred to *social* capacity building through community development programs, micro-credit schemes for rural business, self-sufficiency projects, village fund programs, diversified agriculture, cooperatives, and other efforts to reinvigorate rural towns and villages.

Thailand best illustrates the social capital building option. Here are found favorable circumstances for the immediate application of this approach: especially including a moderately autonomous, economically viable rural community base and social institutions able to assume a heightened social role in the post-crisis recovery. Drawing on substantial assistance under World Bank and ADB social investment funding, the Thai government has initiated community-based infrastructure and village development projects including block development grants to 78,000 villages, support for agricultural diversification (to hedge market risk), provision of debt relief for farmers, establishment of new community banks, strengthening of "self-sufficiency communities" under an expanded Community Forestry program,[16] and expansion of micro-credit and SME business development programs. The social capacity building approach, now to be institutionally located in a new Ministry of Social Development and Human Security,[17] has been strongly supported by the King himself as part of his "self-sufficiency" movement. Most importantly, the populist-nationalist Thai Rak Thai government of Prime Minister Thaksin has placed community and social development at the top of its legislative agenda.

The Developmentalist Option: Enhancing Economic Competitiveness

Here, governments seek to reduce social dislocation and workforce vulnerability by enhancing the competitiveness of domestic business and agriculture prior to the impact of external trade and investment liberalization. This may entail renewed efforts to boost levels of education and training of the workforce, to institute new forms of work organization in firms, to support corporate R&D and new methods of management, to create social and physical infrastructures for technology-intensive industry, and the like. It may also include promotion of self-employment, and a variety of other efforts to ensure successful engagement with and participation in more open international markets, thus presumably sustaining or expanding high-wage employment

While South Korea has traditionally pursued this option most vigorously, Thailand illustrates a more recent adoption of the developmentalist option as a means of

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[16] The community forestry programs comprise a partial reversal of previous policies under which farmers were simply evicted from government forest reserves. "Alternatives needed to national parks: hurting villagers living around forests." *Bangkok Post*, 6 January 2002. "Displaced farmers to get previously allocated land: new approach to reform welcomed." *Bangkok Post*, 7 January 2002. The self-sufficiency movement has led to renewed interest in environmental protection of Thailand's dwindling forests as previously languishing community forestry programs have received growing official support.

[17] "Three more ministries to join line-up." *Bangkok Post*, 10 January 2002.

accommodating the new pressures of economic reform in the context of crisis. At the heart of current Thai developmentalism is a program of targeted assistance and support for small to medium-sized domestic enterprises (SMEs), especially those linked to larger/foreign client companies as industrial suppliers. Indeed, this SME support program comprises a core element of the current coalitional success of the new government.[18] The program includes substantial state financial assistance, creation of a special SME board of the Stock Exchange of Thailand to mobilize private investment, expanded assistance in linking local firms with large and international companies as suppliers of high value products and services, and extension of SME assistance and loans to rural agro-business as well.[19] The developmental importance of this SME program is signaled by establishment of an SME Institute at the new Rangsit campus of Thammasat University and creation of an SME Supervisory Committee chaired personally by the Prime Minister.

In a sense, the Thai SME program comprises an effort simultaneously to address social and developmental tensions of reform, as suggested by the earlier discussion of the role of SMEs in Thailand's social capacity-building programs. While many SME development programs, especially those targeting rural businesses, largely address social issues, others in such sectors as electronics and autos effectively link political and developmental efforts to bolster domestic business and high-quality employment on the one hand, with continuing reform programs of trade and investment liberalization on the other.[20] It is perhaps for this reason that despite a seeming growth of state activism (including new industrial targeting), multilateral agencies (most prominently the World Bank), core country governments (esp. Japan), and international firms have welcomed and supported this initiative. Initially surprising was the very substantial support from the subsidiaries of transnational companies for domestic SME support programs. Suffice it to note here that these companies had invested heavily over periods of many years in the creation of local supply chains, and that their long-term interests became threatened by the collapse of local suppliers during the recent crisis.[21]

The Default Option: Slowing Reform

Absent success in adopting these or other responses to the tensions of reform, governments may opt to slow the reforms themselves. In the Asian context, the most

[18] For recent overview, see "MOI confident of giving full support to SMEs this year." *Pattaya Mail*, 21 January 2002. Also see "Launch a big hit with small firms: thousands queue for help from new fund." *Bangkok Post*, 17 January 2002. "BOI says tariff cuts must not be delayed." *Bangkok Post*, 12 January 2002.

[19] Under recent proposals, support will be given domestic SMEs that rely on local resources, including agricultural and other primary sector raw materials, in part to reduce reliance on imports, and arguably to complement broader efforts to increase domestic content in manufacturing under what could be seen as an explicit, if partial, revisiting of ISI, as seen in a recent statement from the Prime Minister's office encouraging promotion of "domestic production to substitute for imports." Quoted in "New drive to cut imports: Campaign to push use of local resources." *Bangkok Post*, 25 February 2002. Also see "SMEs new driver for growth: High-touch to replace high-tech." *Bangkok Post*, 26 February 2002; "New drive to cut imports: Campaign to push use of local resources." *Bangkok Post*, 25 February 2002.

[20] "The honeymoon is over: time for Thaksin government to produce." *The Nation*, 3 January 2002.

[21] In many cases, foreign companies ultimately became major shareholders in local firms through debt-equity swaps and simple buyouts, thus prompting renewed local fears of economic denationalization. Those fears in turn gave further impetus to government SME support efforts.

often compromised reforms relate to privatization of state-owned enterprise, reduction of utilities and public goods subsidies, and elimination of market-distorting agricultural price supports.[22] Given that such moves to slow or backpedal on reforms collide directly with the interests and objectives of important corporate and international elites whose continued support is essential, a public rationale for these measures typically refers to the need for delay in order to make necessary domestic adjustments, including the strengthening of social safety nets and the bolstering of the competitiveness of domestic business and agriculture. Indeed, as noted above, international trade agreements often allow more time for "developing" countries to meet mandated tariff reduction targets for precisely this reason. In the context of Thailand's economic crisis, a further justification pointed to the overriding short-term goal of resuming economic growth.

China, Thailand, and South Korea have all pursued this short-term response to the tensions of rapid reform. In all cases, SOE privatization was slowed to varying degrees, in part in response to social problems and political opposition. In all cases, again, external trade liberalization was delayed as the social and economic impact became clear and nationalism found new voice. In Thailand, in particular, it was noted that the current global recession has encouraged a tilt toward inward-directed policy, as evidenced by the selective reintroduction of tariffs (e.g. car parts, electrical appliance components, industry machinery, soybeans) in response to growing demands from domestic business groups for increased protection from foreign competition[23] and in increased efforts to favor domestic over foreign investors in SOE privatization programs.[24]

But among these three countries, China perhaps best exemplifies this default option. Lack of coherent trade union pressure has minimized political pressure for creation of a state-organized social safety net to compensate for the institutional marginalization of locality and state-enterprise social insurance. The human resource development/developmental option has not seemed immediately relevant especially in the cost-driven export zones of southern coastal regions. And rural stagnation and social disorganization have discouraged social capacity-building initiatives. In this context, and faced with a growing threat of social disorder, the Communist Party has opted to slow or reverse elements of the reform program. The party's Central Committee has reasserted the long-term goal of maintaining market socialism with continued party control over developmentally strategic industries. Chinese WTO negotiators successfully tempered U.S. demands for substantial reductions in agricultural subsidies to Chinese farmers. Privatization was slowed or compensated through various means to alleviate social distress. Banks were directed to maintain current levels of questionable loans in order to avoid further layoffs and closures.

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[22] In Thailand, government purchase programs to shore up agricultural commodity prices have continued despite official commitments to eliminate such market-distorting policies.

[23] See, e.g. "Government asked to help curb influx of Chinese-make products." *Pattaya Mail*, 27 February 2002. Also "BOI says tariff cuts must not be delayed." *Bangkok Post*, 16 January 2002.

[24] Economic nationalism in fact comprises an important basis for the success of the new government in cobbling together (if only temporarily) a populist coalition of local business, farm groups, students, trade unions, and NGOs.

In China more than elsewhere, powerful ruling factions (here, economic conservatives in the CCP Central Committee surrounding Jiang Zemin) supported moderating the pace of reform in the interests of social order, and against the opposing liberal faction under Zhu Rongji. This factionalism was especially divisive in the run-up to the leadership succession in 2003.

Concluding Note: Labor Politics and Social Capacity Building in Thailand

We return now to the question of labor politics, placing this factor in the larger framework of changing elite reform strategies. This chapter has largely been confined to an overview of the institutional tensions of reform and of corresponding strategic responses to those tensions. It should now be asked how and to what extent worker opposition to the negative social outcomes of reform encouraged one or another of the various elite responses to the institutional tensions of reform.

As various factions and coalitions of economic and governing elites struggle to implement or block those aspects of reform which favor their particular interests, and then to implement strategically favored responses to emergent institutional dilemmas of reform, they must at the same time address political opposition from affected popular sector groups, including workers and farmers. In this complex situation, reform outcomes, or more accurately, the diverse *profiles* of strategic redirections that favor one or another combination of the foregoing institutional and policy responses, are inherently contingent, varied, and to a degree unpredictable. The following brief account of the impact of reform opposition on reform in Thailand is organized around the following general assumptions:

1) The policy impact of popular sector political opposition on reform programs depends on its magnitude, coherence, and directionality.
2) Political regimes (esp. the extent of democratic reform) influence all three of these characteristics of political opposition.
3) Intra-elite competition may magnify and channel worker opposition.
4) Institutional tensions of reform influence reform trajectories through their perceived impact on the strategic economic goals of dominant elites.
5) The interests of dominant elite groups (both corporate and state) are primarily attentive to strategic institutional interests relating to economic competitiveness and growth.
6) In pursuit of those interests, dominant elites seek to contain and channel non-elite political opposition.
7) Elite responses to the tensions of reform are channeled by existing institutional and structural realities.

These simplifying assumptions suggest a framework within which to explain divergent Asian reform trajectories. While it is not possible within the compass of this chapter to attempt a fuller account of reform trajectories in China, South Korea, and

Thailand, consider the following brief illustration of how one might utilize this framework in explaining the special prominence of social capacity building in Thailand. A subsequent chapter will offer a more comprehensive comparative explanation of reform trajectories across the three countries and Asia.

The Thai Case

From the standpoint of workers in Thailand, apprehension regarding some of the negative outcomes of economic reform (particularly the externalization of reproduction costs and market risks to families and communities) was relatively muted during the uninterrupted period of dramatic economic growth during the 1980s to mid-1990s. But the onset of economic crisis quickly brought new fears and heightened political opposition in its wake. The crisis revealed the reform-augmenting vulnerabilities of workers and farmers to economic downturn and market risk. And under new pressures from the IMF and international donors, it imposed further burdens of economic stabilization and austerity programs on an already faltering economy while also accelerating, under loan conditionalities, some of the structural reforms themselves. In these ways was exacerbated an already frightening situation. And in this context, the whole reform program became politicized as never before. By mid-1998, large numbers of normally apolitical Thai workers and farmers had joined with NGO leaders, unions, university intellectuals, and oppositional politicians to debate and challenge core elements of economic reform, a process culminating ultimately in a resurgent populist-nationalism which swept new political parties and elites into office.

In Thailand as elsewhere, heightened worker opposition, in this case augmented and magnified both by on-going democratic reforms and by developmentally driven organizational reform of government,[25] increasingly raised doubts among corporate and government elites as to the political and social sustainability of the present course of reform. As the lock grip of reform orthodoxy was broken among even the most internationalist of government and corporate elites, the voices of those hitherto politically marginalized business and agricultural leaders whose interests were threatened by some of the reforms have increasingly joined with dissenting elite factions to challenge reform programs. Elite fissures have in turn brokered new populist/nationalist alliances with oppositional middle and working class groups, a process culminating in the electoral victory of Thaksin's Thai Rak Thai party in 2000. All in all, worker opposition, especially among Thai state-enterprise employees, small farmers, and organized private sector workers, was at least modestly successful in slowing privatization,[26] pushing for continued farm subsidies and debt relief, demanding new worker health and safety regulation,[27] pushing for creation of low-

[25] Passage of the new constitution in October of 1997 was in part in response to growing political pressures during the early months of economic crisis. The more recent reassertion of state developmentalism has augmented the resources and policy roles of several of the functional and social ministries (e.g. Agriculture, Industry, Labor), which have traditionally afforded policy access to many of the private sector firms, organizations, and associations pushing for changes in reform agendas.

[26] For recent accounts see "Unions plan protest against privatization." *Bangkok Post*, 10 January 2002. "Protest fails to delay port sell-off deadline: union unyielding on benefits and jobs." *Bangkok Post*, 14 February 2002.

[27] Brown.

cost health services, and urging enactment of a new Labor Protection Act in 1998 which includes maternity leave and other important additions to previous provision of social insurance.

But having said this, it is also clear that labor opposition in Thailand has lacked focus and coherence. Unlike the case of Korea, wherein powerful and increasingly independent trade unions successfully pushed for expanded state-organized social insurance programs while delaying and ultimately negotiating more favorable terms under labor-market deregulation, Thai unions have not commanded the institutional leverage sufficient to play the lead oppositional role. Such unions, banned in the state sector where they continue on as "associations," and only weakly established in the private sector, have by necessity had to forge political alliances with other popular sector groups such as urban slum dwellers, informal sector workers, farmers associations, university intellectuals, and NGOs in their effort to influence social policy. Farmers associations, conversely, have confronted the problem of clientelist domination by local elites by establishing coalitional links to urban community associations and labor organizations. NGOs and university intellectuals have further encouraged broadly based oppositional movements through very active leadership and participation, and through encouragement of encompassing social movements such as the Forum of the Poor, the Federation of Thai Farmers, and the like. By consequence, in Thailand, a Korean-style "politics of production" is replaced by a community-based "politics of collective consumption,"[28] broad cross-cutting appeals to nationalism, class-based (rather than sector-specific) social mobilization, and a strong emphasis on public subsidies and utilities, social and physical infrastructure, and sponsored efforts to enhance the viability of rural and town-based communities to which many unemployed workers returned during the crisis years. This latter move, as noted earlier, was given further force by the King's campaign to encourage self-sufficiency and a return to values associated with Buddhism and rural traditions. Thus, unlike the South Korean case where unions pushed a focused agenda of expanded social insurance, Thai social movements pushed for assistance to families, farmers, small businesses and communities, often through traditional community development programs, with the result that the social capacity of family and community institutions might more adequately absorb the costs of market risk and social reproduction of labor. In this way, the nature of political opposition gave further encouragement to a social capacity building response in Thailand. And given the compatibility of such a response with longer term reform goals of dominant state and corporate agencies and groups,[29] all in the context of a remaining viability of rural and community institutions able to assume their supportive role,[30] it is understandable that the World Bank, Asian Development Bank, Japanese government, and even

[28] By extension, one might describe Chinese worker reform opposition as a "politics of social disorder."

[29] Unlike the case of China, wherein important ruling party factions remain far more ambivalent about economic reform, in Thailand, regional and then global recession (with declining exports) has encouraged a more inward-oriented, domestic consumption-led recovery effort on the part of the new government, thus further reinforcing social capacity-building. See "Policy critics told to shut up." *Bangkok Post*, 1 January 2002.

[30] This contrasts the case of more highly urbanized Korea or of China wherein vast rural sectors have been socially and economically devastated.

some transnational corporations committed substantial resources in support of this response to the emergent tensions of Thai reform.