

**Comparative role of local government and the local private sector
in Thai border towns in industrial development and cooperation**

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Abstract

Beginning in the early 1990s, Thailand initiated a number of cross-border developments to raise the social and economic conditions of border towns and to strengthen economic cooperation with neighboring countries. As in other cross border areas such as Hong Kong-Shenzhen, the central governments' role in implementation has been acknowledged as having a major influence on the success of industrial development, so the role of local governments and of local private sector is seen marginal.

However, due to negative perceptions and regulatory barriers to the crossing of borders, the central government investments and policy measures have had limited impacts on the dynamics of industrial development in Thai border towns. This paper utilises data gathered by Thai government agencies, multilateral agencies such as the Asian Development Bank and data from preliminary fieldwork. Four case studies *(Mukdahan and Nakhon Phnom, both bordering Laos, Mae Sai and Mae Sot, both bordering Myanmar) have been selected to illustrate the issues. The paper will present the role and attitudes of the local private sector and local governments, including their reactions to the central government policy and measures. It will point to several factors that are crucial for the participation of local governments and private sector such as the supportive role of the central government and changes of practices.

1. Introduction

Cross border developments have been established in a variety of situations, most notably the US-Mexico border development (Herzog, 1991). Also, in Asia, since the late 1980s and early 1990s, an interest in the development of cross-border zones has emerged in a variety of settings such as the Singapore-Johor-Riau Growth Triangle, the Hong Kong and Shenzhen region and the Tumen River Development Zone (Blaisdell et al, 1993; Lee, 1998; Thant et al, 1998). Since the collapse of the Soviet Union, many former socialist nations have adopted more market-oriented policies; many are considering their neighbours as potential partners in development (Chen et al, 1997; Wu, 1998). Thailand and her several neighbours, in conjunction with bilateral and multilateral agencies, are also developing cross-border economic relationships (Norconsultant International AS, 1997; ADB, 1998; Map 1).

Although these development patterns vary in size, regional economic structure and levels of development (van Grunsven et al, 1995; Wu, 1998), they follow similar development strategies. For example, the central governments of these countries have promoted special economic zones in border areas, spending significant amounts of public funds. Special investment privileges as well as investment in infrastructure and basic utilities have been allocated to promote cross-border developments. Multinational companies are expected to generate employment and boost export earnings. Large-scale industries with high technology are encouraged. Generally, the locational advantages approach (Richardson, 1973; Hoover, 1975) with the impact of sponsorship by the central government and the role of large-scale industries with high technology is considered to be successful (Chen, 1995; van Grunsven et al, 1995; Romsa et al, 1998). However, the impact of government sponsorship is not necessarily appropriate for all situations.

In border areas, few studies have compared the role of local government and local private sector in towns that are sponsored by the central government with those which have emerged without specific government assistance, what might be called non-sponsored towns. In Thailand, Maneepong et al (1999; 2004) note the strong influence of local government agencies in the case of Sadao Municipality and the Sumnumkam *Tambon* Administration Organisation (a sub-district local government) in the south, both bordering Malaysia. Due to business demands and rapid urbanisation, these two local government organisations have used their own funds for urban utilities and have formulated a land use plan (Maneepong et al, 1999; 2004).

This paper uses a comparative assessment that provides a better understanding of the impact of central government investments and measures. The various attitudes of local agencies are also reflected in the different local relationships with the neighbouring countries. In this paper, the towns of Mukdahan (in the northeast, bordering Laos) and Mae Sot (in the north, bordering Myanmar) are identified as “sponsored towns” that have received considerable support and encouragement from the central government (Map 2; Map 3). The towns of Nakhon Phanom (in the northeast, neighbouring Laos) and Mae Sai (in the north, on the border with Myanmar) have not received government sponsorship and are classified as “non-sponsored towns” (Map 2; Map 3). The rest of this paper is divided into five sections. Section 2 presents the impetus for border town development in Thailand. The next section gives an overview of Thai government’s objectives and implementation on the border town development policy. Section 4 discusses the different roles and attitudes of the local government agencies and local private section in two sets of border towns. Section 5 identifies significant factors contributing or hindered to the participation of local government agencies and local private sector.

MAP 1: Border town areas of Thailand



Major border towns targeted by the National Economic and Social Development Board, 1997

Source : Maneepong, 2002

Map 2: Case studies in the north : Mae Sai and Mae Sot border areas



Map 3: Case studies in the northeast : Nakhon Phnom and Mukdahan border areas



2. Impetus for decentralisation and border town development in Thailand

The significance of planning and implementing decentralisation and the border town development policy in Thailand have two main domestic and international impetuses: regional disparities and sub-regional cooperation schemes, initiated by Southeast Asia countries and Asian Development Bank (ADB). In addition, bilateral and multilateral funding agencies such as the ADB have set priority on less developed regions and peripheral areas including border towns. Their policy also aims at supporting decentralisation and sustainable development (ADB 1998).

2.1 Regional disparities

Since the mid 1970's, the Thai government has been concerned with the excessive concentration of economic activities in Bangkok Metropolitan Region and interregional income disparities across the country. Since, in the period 1990-96, Bangkok Metropolitan region (BMR)'s production was about 5 times larger than that of the whole of the northern region (Table 1). The average per capita income of BMR was almost 10 times higher than that of the northeast region (Table 2). Thailand's decentralisation policies have been pursued in target regions including border towns. A number of strategically located border towns, became important in the urbanization and economic development process mainly because of cross border economic activities. Therefore, in the Seventh National Plan (1992-96), border towns were identified as new economic bases linking regional cities to stimulate decentralisation to peripheral areas (NESDB 1992). In the process of sub-regional cooperation, border towns were also recognized as having additional potential roles and functions as centers of economic activities. Therefore, one important target area defined by the Eighth National Plan (1997-2001) and the current Ninth National Plan (2002-07) is development of border

provinces and towns, particularly those that have potential as “economic bridges” linking Thailand with neighbouring countries (NESDB 1997; NESDB 2002).

2.2 Southeast Asia Subregional Cooperation

The Thai government has also joined two sub-regional cooperation programmes with its neighbouring countries: namely the Greater Mekong Subregion Program in 1992, and the Indonesia-Malaysia-Thailand-Growth Triangle Program in 1993 (NESDB, 1998). These cooperation programmes have focused on facilitating and enhancing trade flows, improving investment climates and increasing the standard of living of the population in the sub-regions. High priority projects and programmes are now undertaken such as inter-country road planning and implementation, policy development concerning non-physical barriers (Thant et al, 1998; ADB 1998). With the completion of ongoing and planned project in progress of sub-regional cooperation, it is expected that the pace of development in border towns will further accelerate. In addition, some border towns such as Mae Sot in the west and Mukdaham in the northeast are expected to become locations of industrial cooperation with neighbouring countries under such specific schemes as the so-called “economic corridor development” (ADB Study Team, 2000; NESDB 1998).

3. Government policies and implementation on border town development

The above impetus outlines the formulation and implementation of Thai border town development policy. The policy objectives and implementation are discussed in the following sub-section.

3.1 Policy objectives

The Thai government's three main policy objectives for the economic development of border towns focus on: encouraging the relocation of metropolitan industries; generating local employment; and developing regional linkages with neighbouring countries.

(a)Moving labour-intensive and resource-based industries to border towns

Following the national economic strategy, industrial promotion is selected to be a prime strategy for border town development. The central government assumes that the industrial sector will be the leading sector to generate significant employment and to induce other related economic activities. In particular, owing to the size and the capital as well as currency earning, international and multinational companies, large-scale and export-oriented enterprises are to be promoted (TDRI 1991). As non-metropolitan areas, border towns are presumed to attract industries by their low cost of labour, land and raw material and cost of living (GIBB Ltd. et al, 1999).

In addition, being adjacent to neighbouring countries, industries in these towns should gain the location advantages of cooperation in their industrial development, trade, and others businesses with neighbouring countries by maximizing the international division of labour and minimizing transaction costs. In the Northeast Border Region Plan, expanding their market to neighbouring countries has identified major development opportunities of these border towns. For example, Thai agricultural and livestock products with higher technology should increase and develop to be value-added to serve the export market in Laos and Vietnam (International Development Center of Japan et al 2000). On the other hand, with lower cost, raw material such as livestock of Myanmar can increase the supply for Thai producers (ADB Study Team 2000).

(b) Increasing jobs and reducing inequality by boosting rural incomes

Thailand's overall objective for pursuing border towns development focuses on lessening regional disparity and poverty. Owing to the growth of border trade and businesses, border towns are expected to function as "regional growth poles" which will have multiplier effects on the nearby areas, in terms of job generation, will increase household income and labour wages as well as high quality of education and welfare. For example, it was cited that the infrastructure investment in Chong Mek border town aims to stimulate this town to be a trade gateway linking Thailand with Indo-China countries in order to promote wider opportunities for the northeast region (Thailand's most disadvantaged region) (Office of the Secretary for the Ministry of Interior, 1993).

(c)Developing regional linkages and networks with neighbouring countries

Due to location proximity, border towns are also categorized as new national social and economic bases for developing cooperation with neighbouring countries. Recently, concerns of the ADB and recipient countries that the sub-region is landlocked have motivated the development of an East-West economic corridor from Myanmar through Thailand to Laos and Vietnam. The development aims to accelerate the transnational movement of goods, services, finance, people and information throughout the corridors themselves and in their surrounding areas (NESDB 2002; ADB 2000). Mukdahan at the Thailand east end of the corridor and Mae Sot at the west end of corridor in Thailand are the prime targets (Figure 4).

3.2 Implementation on border town development

The Thai government has set up policies for improving and upgrading the economic opportunities of border towns through a number of routine programmes. The

central government has also initiated special large-scale projects, especially for transport networks, public utilities, land use, and more efficient customs and immigration procedures (GIBB Ltd. et al 1998). Unlike other countries, Thailand has no comprehensive cross-border development programme with her neighbouring countries at present, or any special economic zone for border towns. The major programmes all tend to include infrastructure investment, tax reductions and soft loans.

(a) Infrastructure investments

The Thai government assumes that good physical infrastructure in itself will attract investors to border towns. Therefore, the government has sponsored a number of large-scale strategic infrastructure projects to reduce the cost of transportation. For example, at Mae Sot town in Tak province, a new cross-border bridge was built by the Department of Highways to provide the good transportation network to link with the road leading to the seaport of Matabun in Myanmar (International Consultancy Network Co. Ltd. 1996).

(b) Tax reduction

Since the Thai government assumes that economic and business incentives rather than social commitment attract business people to border towns. Under the Investment Promotion Law, the Board of Investment (BOI) has granted promotion zone privileges to domestic and international investors who invest in regional cities. For example, in all border town areas that are classified to Zone 3, investors receive the highest investment privileges including exemptions from import duties, business taxes and other taxes on machinery, equipment and raw materials within a limited time as well as facilitation in custom clearance (BOI 2000). In addition, BOI also adjusts the

qualification of granted regional projects by covering the minimum investment of at least US\$ 237,058 investment. As well, the qualification requirements for relocated factories are adjusted to a minimum of 50 workers instead of 100 workers. Therefore, the promoted investment projects cover more small and medium sized industries (Advanced Group 1997).

(c) Soft loans

The Industrial Finance Corporation of Thailand (IFCT) is specially established to provide soft loans and financial advice to enterprises in regional cities and to those who intend to relocate to regional cities. Recently, the IFCT has modified the qualification of the small-scale industries by the range of property values of US\$ 593,914-2,370,581 (Advanced Group 1997). At present, IFCT has regional offices in every region, including border provinces such as Tak, Chiang Rai and Mukdahan in the case study area. In particular, the government established the Small and Medium Industrial Finance Corporation of Thailand (SIFC) for small and medium-sized industries. In 1996, this corporation adjusted the qualification requirements to admit a wider range of eligible customers and a wide choice of available loan size (Advanced Group 1997).

3.3 Case Studies

Border towns are usually classified into three significant categories: their own economic role and function (TDRI, 1991; GIBB Ltd. et al, 1998); the economic level of their neighbouring countries (NESDB, 1998); and the extent of the sponsorship of the central government (Maneepong et al, 1999; Wu, 1999). In this paper, the sponsorship of the central government is adopted as the main category of classification. Border

town developments that have attracted programmes sponsored by government or multi-lateral agencies, such as Nongkhai, Chong Mek and Mukdahan in the northeast, are considered 'sponsored'. Those that do not have such specific programmes are considered 'non-sponsored'. Sadao in Songkhla province in the south, Mae Sai in Chiang Rai province in the north, and Nakhon Phanom in the northeast, fall into this latter category. However, this division is clearly a simplification. In reality, no development is ever without some form of government participation or scrutiny, either in the form of permission to change land-uses or in the form of regulations limiting the activities carried out at a particular location or building. Permits and or sanctions are, however, vastly different from the cases where government funds are employed to provide infrastructure or buildings with the explicit aim of encouraging private sector investment to promote industrial development (Maneepong et al, 1999; Wu, 1999; Maneepong et al, 2004).

The provincial Chamber of Commerce and the provincial Federation of Industries are two main local private organisations of Thailand that support provincial business, cooperate with government agencies and represent the needs and recommendations of local entrepreneurs. These two provincial organisations belong to the Thai Chamber of Commerce and the Thai Federation of Industries. Under the Joint Public and Private Sector Consultative Committee (JPPCC), the Chamber of Commerce has shared its chief problems with the government sector, and gained its support, especially during the 1980s and the early 1990s (Laothamatas, 1992; Aranyaganon, 1994).

The Thai Federation of Industries was established in 1967 and since then has promoted the establishment of provincial organisations around the country. The central organisation now has one of the largest permanent staff of all industry business

associations. Members of the organisation have participated on a number of government commissions (Laothamatas, 1992). Laothamatas (1992) concludes from his survey that these business organisations depend greatly on the leading entrepreneurs who can deal efficiently with private needs and problems.

4. Comparative role of local government agencies in Thai border town development

Several assessment and evaluation reports have studied border towns, usually by or for Thai central government agencies. They tend to accept the fundamental assumptions of central government policy, generally adopting the locational advantages approach. They typically portray the local government agencies and local entrepreneurs mainly responsible for performance of industrial development. For example, with limited resources and expertise, local entrepreneurs tend to concentrate on narrow trading opportunities and short-term profits (GIBB Ltd. et al, 1999). Due to the budgetary constraints of local government agencies, most secondary road networks in border areas are sub-standard

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of Tak, 1999). In the following year, a large number of labour-intensive factories from Bangkok and the vicinity either relocated or established branches in Mae Sot (NESDB, 1998). This signified the immediate success of the decentralisation programme and demanded further infrastructure investment in Mae Sot's economy

Similarly, the 6.1 km Second Mekong Bridge project is under construction and the East-West Corridor Development programme has lifted Mukdahan into development centre status. By means of Route No.9 the flow of goods and people from the land-locked, disadvantaged northeast of Thailand will reach the deep seaport of Danang, Vietnam and on to international markets much faster, because the distance from northeastern Thailand or central Laos to Bangkok Port or to the Thailand Eastern Seaboard Port is twice as long (State Planning Committee of Lao PDR, 2000; International Development Centre of Japan et al, 2001).

In 1997, the Ministry of Industry, Science and Technology allocated a budget of US\$5.43 million from the environment fund to Mukdahan municipality for garbage disposal, wastewater treatment and other services and US\$2.13 million to construct a waste water treatment and garbage disposal system for Mae Sot municipality. Between 1996 and 1999, under the special urban development subsidy for border towns, tourist towns and large municipalities, the Ministry of the Interior provided a significantly larger budget for Mukdahan municipality. This special subsidy increased by more than sixty per cent from 1995 to 1996 or more than three hundred per cent (Table 4). With this subsidy Mukdahan municipality has launched an investment package of US\$6.17 million over the last five years for urban infrastructure in the municipality, and at the border bazaar market (Maneepong, 2003). Similarly, from 1995 to 1997 Mae Sot municipality received a special grant to upgrade urban amenities, amounting to more than US\$2.58 million (Table 4).

Furthermore, in 2000 the National Housing Authority allocated US\$0.10 million for Mukdahan municipality and US\$4.62 million for Mae Sot Municipality to upgrade and construct basic infrastructure in low-income residential areas (Mae Sot Municipality, 2001; Mukdahan Municipality, 2001). In the same fiscal year, the Decentralisation Policy Committee, chaired by the Prime Minister and NESDB in coordination with the Ministry of the Interior working as a secretariat unit, also provided special funding amounting to US\$0.29 million to improve a bazaar market at the border checkpoint of Mae Sot to attract tourists (NESDB, 1999).

According to Board of Investment (BOI), Mukdahan province is in zone 3, where investors can gain the highest investment privileges, but up till now only three Thai factories for construction and plastic products and three private hospitals have requested and were granted such privileges (BOI, the Northeast Office, 1999; Provincial Office of Commerce of Mukdahan, 1999). Since these tax and duty privileges directly benefit import and export industries, while because of the limited size of the local economy, Mukdahan industries are categorised as local and domestic, there is no incentive to request them.

4.2 The role of local government agencies in non-sponsored towns

As Nakhon Phanom and Chiang Rai provinces are non-sponsored provinces, their economies do not get much direct investment from the central government. Few large-scale investment projects from the central government have been set up. During 1995-99 Nakhon Phanom Province received an average budget of about US\$18.942 million (Table 3). However, this budget allocation is small because the average per

head budget allocation is only about US\$27.005 while the average per head budget allocation of Mukdahan is as high as US\$41.168. Similarly, the average budget of Chiang Rai Province is much higher than that of Tak Province (about US\$29.012 million), but the budget allocation per head of about US\$23.046 is lower than that of Tak Province (US\$30.356) (Table 3).

The major large-scale infrastructure projects in Nakhon Phanom involve only the upgrading of the air force base to become a domestic airport, improving the regional road network and renovating a goods border pier (Airport Authority of Thailand, 2001; Department of Highways, 2001; Nakhon Phanom Municipality, 2001). In 2001, a western regional road network from Sakhon Nakhon province to Nakhon Phanom province including a bypass road for Nakhon Phanom district was completed. Due to the limited resources of the central government and its low priority status, the construction of the southern regional road network from Nakhon Phanom province to Mukdahan province did not start until 2001 (Department of Highways, 2001). Meanwhile all road construction projects in Mukdahan Province have progressed rapidly, funded by the central government budget or by overseas soft loans.

Compared to Mukdahan Municipality, Nakhon Phanom Municipality, as a non-sponsored town, is much more reliant on its local revenue (about 50% of total revenue; Table 4) even though its administration area was smaller. The proportion of its budget represented by subsidies from the Ministry of Interior is only marginal (about 2% - 4% of the total revenue; Table 4) and this amount was either constant or decreased over the four years from 1997 to 2000. Furthermore, in 2001 the National Housing Authority allocated a lower subsidy (about US\$0.01 million) to Nakhon Phanom Municipality than to Mukdahan Municipality for the upgrading of basic infrastructure in low-income residential areas (Nakhon Phanom Municipality, 2001). Only the total subsidy from the

Ministry of Sciences and Technology allocated to Nakhon Phanom Municipality was equal to that of Mukdahan.

Like Nakhon Phanom Municipality, Mae Sai Municipality did not receive any special subsidy from the Ministry of the Interior. About eighty per cent of its revenue came from its local revenue (Table 4). Only since 1999, after the economic crisis, did the Ministry of the Interior allocate a special subsidy to Mae Sai Municipality as a main national tourist destination in order to upgrade about twenty roads around the Municipality (Maneepong, 2003). These two municipalities can be financially reliant because of minimum investment in large-scale infrastructure projects.

On 11 July 1998, without the sponsorship of the central government, the local border committee on Route No.8 including representatives of Nakhon Phanom local governments and private sectors agreed to focus on non-investment activities. Major activities included annual rotation meetings, annual rotation border trade fairs, visits by business people, promotion of tourism and cultural exchanges (Provincial Office of Commerce of Nakhon Phanom, 2000).

In 2000 the Ministry of Commerce responded to local border cooperation initiatives and organised a specific workshop for provinces bordering Laos to discuss problems and constraints (Department of Foreign Trade, 2000). These border cooperation activities directly promote better understanding, reinforce social, economic and cultural cooperation among recipient countries, and minimise protectionism (Maneepong, 2003).

Interviews with representatives of local government agencies and of the private sector in Nakhon Phanom Province show a significantly higher level of cooperation with the neighbouring countries than with Mukdahan Province because every agency can identify at least one agency of the neighbouring country as a cooperative partner. It

is found that eighty per cent of all the interviewees from local government agencies and the private sector in Nakhon Phanom indicates that either personal relationships or business people's sincerity and honesty made the greatest contributions to the success of border business and cooperation.

After the GMS program was set up, the central government integrated investment programmes of the Quadrangle Economic Cooperation Project into the GMS package. However, the Thai government tends to follow the investment priorities of the GMS programme. Thus the activities initiated by the Quadrangle Economic Cooperation Project were a low priority for the central government and international agencies. Like the local focus of the committee of Route No.8, the Quadrangle Economic Cooperation Project focused on local interests and non-investment matters.

Among all the upper northern provinces, Chiang Rai Province — because of strong interest and its strategic location — has played a particularly important role in cooperation with neighbouring countries with the support of the Ministry of Commerce. A major successful outcome of this cooperation is a treaty on upper Mekong River cooperation, signed in April 2000 and effective on April 2001 (Provincial Chamber of Commerce of Chiang Rai, 2000). In November 2000 an agreement on commercial navigation on the Mekong River was signed and became effective in 2001. Furthermore, the Chinese Government facilitates the flow of the Mekong River during the dry season by discharging amount of water of its dams. This pilot cooperation project significantly promotes the increasing business volume of participating countries (Provincial Chamber of Commerce of Chiang Rai, 2000).

Even before this agreement, Thailand's volume of trade to the other three countries increased by fifty-eight per cent from 1998 to 1999. The trade growth rate between Thailand and Myanmar, and Laos and south China was forty-eight per cent,

forty-four per cent and one hundred twenty-five per cent respectively. In the first 10 months of 2000 the total trade volume of Thailand with these three countries was as high as US\$ 88.08 million and the growth rate was twenty-three per cent (Provincial Chamber of Commerce of Chiang Rai, 2000). As a result, the fast growing economic activities of these areas drew national attention. In 2000, NESDB conducted a study on the establishment of a special border zone in Chiang Rai Province (PAL Consultants Co. Ltd (Thailand), 2001).

4.3 Comparative analysis of the role of local government agencies

The above comparison suggests that the central government plays a major role and the national strategies for industrial development is adopted in sponsored border towns, with a special focus on infrastructure development. It is no surprise that local and provincial agencies have limited role in their border town development. On the other hand, due to the limited influence of central government agencies in non-sponsored towns, the role and attitudes of local government agencies are found to be different. Local government agencies and local private sector have made efforts to enhance their provincial economy through their local networks with the neighbouring countries, especially through local border committees. Consequently, it is clear that the participation of local government agencies can be influenced by other factors, which are not related to the central government support and subsidies.

5. Factors contributed/hindered the participation of local government agencies and local private sector

In contrast to the conventional development framework conducted by and for the Thai government bureaucracy, this paper examines other factors that contribute to or

hinder the participation of local government agencies and local private sector in promoting and managing border town development. Significant factors include collaboration among local government agencies and other stakeholders, devolution of power to local government agencies and the supportive role of the central government.

Due to limited resources of each local agency, Özcan (1995) suggests that the collaboration among local government agencies and other stakeholders such as local people, worker's organizations, support networks and artisanal organizations and chamber is an important mechanism to stimulate the growth of local industries. In addition, to promote the emergence and growth of local industries, Scott et al (1992), Nijkamp (2000); Perez-Aleman (2000) and Whitford (2001) highlight the facilitator role of local governmental institutions in not only providing infrastructure and social services but also in coordinating and supporting the learning process and the diffusion of technology development. Significant activities include the establishment of capable business associations and the collaboration between local firms and local public and financial institutions. Lorenz (1992) and Scott et al (1992) suggest using trained and socialized workers to encourage information exchange and inter-firm collaboration including public subsidies, especially for the basic research inputs.

Datta-Chaudhuri (1980) notes that to facilitate industries in regional cities, government investment should not only focus on infrastructure but also selective fiscal policy involving taxes, subsidies and credit control and licensing of private investments. Due to limited resources of local firms, Özcan (1995) suggests that apart from technical and financial assistance, it is essential to devolve institutional and financial power towards regional centres and cities to directly respond the needs of these firms.

Studies by Sriwanthana (1990) on relationship between Thailand and Laos, by Waiyaratpanich (1995) on border trade between Thailand and Myanmar and by van

Houtum (1997) on the border between the Netherlands and Belgium conclude that nationalism and international relationship between two countries directly affects the perception of individual entrepreneurs. Therefore, to promote cooperation between two countries, the national government agencies have a strong role to promote the positive impressions of the people on the other side of the border and create trust among people. Sriwanthana (1990) also emphasises power devolution to the provincial and local government agencies in order to facilitate these agencies to coordinate and promote intensive economic relationships with neighbouring countries. In other words, the regulatory barrier between two countries needs to be mitigated (Sriwanthana, 1990; Waiyaratpanich, 1995)

5.1 Collaboration among local government agencies and other stakeholders

Like local government in non-sponsored towns, the local private sector has strong connections with the local private sector in the neighbouring countries and cooperates actively in local economic and business activities. Through local border committees the local government and private sectors jointly work in cooperating with the neighbouring countries.

Apart from its general functions and role, the Provincial Chamber of Commerce of Chiang Rai has solid connections with local governments and the private sector of the three neighbouring countries in the Quadrangle Economic Cooperation Project, namely Laos, Myanmar and China. It has jointly initiated business and cultural cooperation in the Quadrangle Economic Cooperation Project of Thailand, and in 2000 its joint effort to establish a sister city relationship with Yunan Province, China reached fruition.

A number of cooperative business ventures have been started, such as the exchange of economic and tourist information; meetings with the Deputy Governor of

Yunan Province and with the representatives of the Chiang Rung Provincial Chamber of Commerce of China; formal visits; and participation in trade and tourism fairs in Tachileik Province in Myanmar and the Bo Kwea region of Laos (Provincial Chamber of Commerce of Chiang Rai, 2000).

Besides the provincial Chamber of Commerce, the provincial Federation of Industry was established in 1996 to represent the specific needs and demands of industrial entrepreneurs. The total current membership is about forty-two and the committee of the Federation of Industry consists of sixteen committee members and another six advisors (Provincial Office of Commerce of Chiang Rai, 1997). Like the Provincial Chamber of Commerce of Chiang Rai, the provincial Federation of Industry has also supported joint business and trade activities in the Quadrangle Economic Cooperation project such as navigation on the Mekong River, the establishment of sister cities with Yunan Province in southern China, and the road network from Thailand to southern China. The provincial Federation of Industry and the Member of Parliament of Chiang Rai Province together with the National Economic and Social Development Board (NESDB) formulated strategic guidelines for Chiang Rai Province (Maneepong, 2003).

5.2 Devolution of power to local government agencies

Because of the specific conditions and needs of border town development, the local government agencies often have difficult cooperation with the neighbouring countries and desire the devolution of authority from the central government. In 1997 the Thai Myanmar Township Border Committee — TBC of Mae Sot and Myawaddy — was appointed to oversee and solve border issues. The border pressures, specific problems and the needs of the Mae Sot and Myawaddy areas were discussed, including regulations and practices regarding border trade, business initiatives and tourism

(Provincial Office of Commerce of Tak, 1999). For example, Tak's Provincial Office of Commerce asked the Ministry of the Interior to devolve the authority to the Governor of Tak Province to issue a certificate letter listing twenty-three kinds of imports from Myanmar under the specific import tax of the Ministry of Commerce (Provincial Office of Commerce of Tak, 1999).

An example of the different perspectives of these two levels of government agencies is the prosecution of illegal Myanmar migrants. Since 1993 the Thai government has allowed migrant workers along borders to work temporarily in Thai border provinces in some labour-intensive jobs (Chintayana et al 1997; Provincial Chamber of Commerce of Tak, 2000). Most large and medium-sized enterprises, especially in garment industries in Mae Sot tend to employ these illegal migrants. Since domestic political conflict and fighting with minority groups along other borders are obstructing the national economic growth of Myanmar so Myanmar worker costs about half as much as Thai worker (ADB Study Team, 2000). A number of provincial and local government agencies were instructed to pursue radical prosecution and to repatriate these migrants to Myanmar, which led to conflict with the private sector in Mae Sot district (Provincial Chamber of Commerce of Tak, 2000). Interviews with major provincial and local government agencies in July 2001 reveal that they disagree with this policy because they realise the need for Myanmar workers. Most officers therefore support the establishment of a special economic zone to legalise migrant employment.

Similarly, most local bank branches and financial institutions face difficulties in supporting local industries in border towns. Local bank branches and financial institutions have limited authority to approve loans, and the criteria for loan approval are set up from Bangkok headquarters where there is less concern for local needs and

demands. These criteria are based on the tangible assets and financial performance of applicants from large and medium sized industries not small sized industries that are typical in these border zones (Maneepong, 2003).

5.3 The supportive role of the central government

Local government agencies and local businesses in the non-sponsored town of Mae Sai have close ties with Tachileik province in Myanmar. In addition, the Thai and Myanmar governments have signed a Border Crossing Agreement, to permanently open three border checkpoints, including Mae Sai. However, when the Myanmar government fights minority groups along the Thai border areas and sometimes suspects that these groups can get supplies from the Thai border areas, the Myanmar government closes its borders. This hinders border trade and production at Mae Sai. Therefore, local governments urge the central government to protect their border interests and to support them by improving their international relationship with the Myanmar central government (Provincial Office of Commerce of Chiang Rai et al, 1995).

Since western countries and the Asian Development Bank have boycotted the Myanmar Government because of human rights concerns and do not provide any assistance or aid to Myanmar, the official relationship between Thailand and Myanmar has been marginal. There have been no state visits between the two countries for the last nine years so it is difficult for local government agencies to solve border issues with Myanmar government agencies (Provincial Office of Commerce of Chiang Rai et al, 1995).

6 Conclusion and recommendation

Since Mukdahan and Mae Sot have been made prime target border towns for national development, with significant resources, a number of central government agencies have taken leading roles in promoting these towns' economies, so the role of local and provincial agencies and the local private sector in coordinating with the neighbouring countries is marginal and passive. However, because of local needs these local organisations, especially in Mae Sot, are taking an active role in representing different perspectives on industrial development issues, especially the prosecution of migrant labour and coordination with the neighbouring countries.

As non-sponsored towns, Nakhon Phanom and Mae Sai local governments and private sectors recognise their capacities and needs, so these two towns use their social connections to set up local economic cooperation with their neighbouring countries such as the local border committee on Route No.8 and the Quadrangle Economic Cooperation Project. With limited resources, local cooperation activities are mainly non-investment but directly serve local interests through the creation of business and information networks that may serve as building blocks for cooperative relations. Thus the level of cooperation of local governments and private sectors with the neighbouring countries is higher in non-sponsored towns than in sponsored towns.

The comparative role of local government agencies and local private sector in the case study areas shows that the rationale for industrial development in border towns does not just depend on the conventionally recognised role of the central government and physical investment and measures. Local government agencies and local private sector also play a significant role in promoting and managing the industrial development. Border issues are specific and complicated and need local knowledge and social networks with neighbouring countries, so local government agencies and local

private sector have capacity to mitigate negative images and regulatory barriers to border crossing. However, these role and action are obstructed by the centralised system and limited resources. Suggestions worth investigating include:

(a) Change of practices

The central government should acknowledge that border relationships, practices and interests are different from international practices such as those of APEC and ASEAN. Therefore, the bureaucratic operations and practices should have different frameworks and expectations. Mutual benefit and technical support for the neighbouring countries are crucial for promoting trust and cooperation (Sriwanthana, 1990; Waiyaratpanich, 1995). Activities should include short-term training, study tours and scholarships for studying in technical colleges and government and private agencies in border towns. These activities will also promote understanding between the two countries' systems and mitigate the differences in rules and regulations. As well, the central government should regularly promote international relationships with the neighbouring countries to support the role of border towns — by making official visits, for example.

(b) Role of local private and government agencies

Local private and government sectors that deal daily with the neighbouring countries should take a leading role in business and investment cooperation with them. The central government should promote, technically and financially, the role of local private and government agencies such as the local committee for the Quadrangle Economic Cooperation Project of the Upper Mekong River and the local committee involving provinces and regions on Route No. 8.

(c) Local officers' attitudes and capacity

To strengthen officers' attitude to and capacity to deal with border issues, the central government should provide specific training and workshops for local, provincial and regional officers who are working or plan to work in border areas. The rules and regulations of the neighbouring countries should be available in Thai for officers to fully understand and promote cooperation. Formal and informal cooperation activities should be regularly organised to exchange information and views and to promote better understanding between the two countries.

(d) Devolution of authority and resources

Delegating authority and resources in terms of financial and migrant worker are crucial for Thai border towns. The headquarters of financial institutes should strongly support loan schemes for industrial development in border towns. The assessment process should allow local institutes to participate, to contribute local knowledge and insights. Migrant worker issues should be considered in terms of each border region's needs and conditions to ensure that deregulation will support industrial competitiveness yet still encourage local employment. Therefore, local government agencies, in conjunction with the local private sector, should be put in charge of setting up deregulation details such as the period of employment and the proportion of migrant and Thai workers. For example, in the northeast region it seems that the need for migrant workers from Laos is only for certain employment sectors such as the agriculture sector, and for only a short-term. On the other hand, in the Myanmar border regions migrant workers are needed in both the agricultural and industrial sectors (Maneepong, 2005).

(e) Participation of local private sector and educational institutions in development programmes

To maximize local knowledge and social networks of local key stakeholders and strengthen their capacity, local private sector and educational institutions should get involved in designing, instigating and evaluating development programmes such as business promotion and training, technological development, skill training and marketing.

After this regarding an agenda for further research should consider how the local government agencies and local private sector influence entrepreneurship and social networks of entrepreneurs. We also get to discover how the devolution of power to local agencies affects industrial linkages and supports economic linkages with neighbouring countries.

ENDNOTE:

1 US\$ = 42 Thai Baht

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APPENDIX