The role of SEZs in Thailand's regional economic development

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Abstract

Several factors contribute to decentralization of Thailand's economic development away from the primate city and capital Bangkok. These factors include the construction of the Asian Highway Network (AHN) and new stages in the formation of the ASEAN Economic Community, both of which will need to new opportunities for enhanced cross-border connectivity. Other factors include the government's attempt to promote border trade and to open new Special Economic Zones (SEZs) in border regions so as to take advantage of low-cost, low-skilled cross-border migrant workers. Existing SEZs are currently located in areas that take advantage of the proximity of natural resources, such as in the Eastern Seaboard, or else in areas close to large conurbations that also offer significant markets for goods that are manufactured there, as in the industrial estates grouped to the north of Bangkok in Ayutthaya and PathumThani. The further construction of the AHN will provide new nodes of connectivity in provinces such as NongKhai, which borders the capital of Laos Vientiane. NongKhai is projected to become a regional hub for logistics, tourism and manufacturing, for which a new SEZ is planned to be opened. Similar developments are taking place along the border with Myanmar at Mae Sot and in the southern provinces bordering Malaysia. What are the implications for local and national stakeholders of these new nodes and forms of connectivity? Are they sustainable or do they represent a different stage in the spatial fix of inward investment? This paper investigates these issues through close examination of Thailand's regional economic development as it is expressed through several studies of specific provinces. It is found that prospects for the different provinces are variable and that competitive advantage through low labour costs in Thailand is no longer viable. Some policy recommendations are made.

1. Introduction

Industrial estates (IEs), a subset of special economic Zones (SEZs), have been a very popular and successful means of promoting rapid economic development in the countries of the Greater Mekong Subregion (GMS): Cambodia, Laos, Myanmar, Thailand and Vietnam, as well as Yunnan Province of China and the Zhuang Autonomous Zone. Table 1 (below) shows the number of IEs in action and under construction in the GMS.

Country	No. of SEZs/Industrial Estates
Myanmar	18 existing + 7 to come
Laos	10 in operation
Cambodia	8 in operation
Vietnam	298 in operation
Thailand	46 in operation
Yunnan Province of China	30 'key' estates in operation

Table 1: The Number of SEZs/Industrial Estates in the Greater Mekong Sub region; Source: compiled by authors from various sources.

The logic of SEZs in general is easy to understand: governments designate specific territories within the overall state in which different regulations and laws apply, generally in the direction of better business conditions, so as to encourage domestic and international investors to locate their facilities there, particularly manufacturing facilities, so as to promote export-oriented manufacturing processes. This has a direct effect on job and income-generation under close state control and provides the kind of quantitative, measurable progress which is very attractive not just to government agencies but also to international funding agencies such as the World Bank and the Asian Development Bank (ADB). As Ramos and Sazanami (1991) wrote:

> "An industrial estate consists of an area of land allocated for factory buildings, which are sold or leased for manufacturing purposes. The land is developed in accordance with a comprehensive master plan, which includes roads, utilities and services and site preparation undertaken in advance of building works. Factory buildings are erected as standard buildings or as customized buildings. Industrial estates are areas of controlled development in accordance to town planning norms and by using zoning, restrictive covenants and other devices. Their form and growth is regulated for the benefit of both the occupants within the industrial parks and the community at large (*ibid*.)."

There is also the issue of complementarity of resources and competencies that was discussed by Marshall in the C19th and could be traced back to the work of Adam Smith and David Ricardo. This is the idea that close proximity between companies and related institutions will stimulate positive sum gains in innovation, cross-company research and so forth. In some cases, it has been possible to foster the creation of clusters of complementary industries of SEZ formation, although success is far from guaranteed.

However, GMS IEs have too often featured extensive use of low labour cost competitiveness manufacturing in which the competitiveness relies not just on drawing in new workers from the agricultural sector but also by suppressing the rights of workers in the areas of freedom of association and expression and the right to collective bargaining, by force if necessary. Such factories can generate profits but tend to add little value and, hence, produce goods that are rarely competitive in international markets and contribute to the problem of the Middle Income Trap. In Thailand, where the Middle Income Trap has already been sprung, the recently elected Pheu Thai government under Prime Minister YingluckShinawatra has started the process by which such low value-adding factories will move offshore by bringing in an approximately 40% increase in minimum daily wage rates to 300 Baht (approximately US$10) and to create linkages of transportation infrastructure with neighboring Myanmar and the massive Dawei SEZ to encourage investors to move their factories over the border.

Discouraging low value-added factories in existing IEs is one part of exiting the Middle Income Trap; the other part is to encourage higher value-added and better productivity in existing and future factory construction and operation. Of the various approaches to improving quality of production and operations that may be adopted, one that is more closely related to long-term sustainable development is to promote smarter and greener activities in the IEs that are being used. The eco-industrial development paradigm seeks to increase business competitiveness, reduce waste and pollution, create jobs and promote better working conditions (Gibbs, Deutz& Proctor, 2005). There are various ways of approaching this paradigm: through encouraging companies to continuing with the same production methods but in a more environmentally responsible way, encouraging companies to start producing goods which have an environmentally-friendly component, providing infrastructure that requires more environmentally-conscious production methods and employing locally generated energy from alternative sources are all attempts that have been made. There is no one single definition of this

approach that has found widespread favor. Consequently, government attempts to announce and implement policies of this sort have sparked some hostility among some members of the business community who tend to imagine that such discourse will result in extra costs on them for no definable purpose (Roberts, 2004). However, the increasingly obvious impacts of global climate change have convinced a growing number of business executives of the importance of incorporating clean and green policies both for their own sake and as a new source of profits. This can include the ways by which items are produced or the ways in which they are marketed (Cronin *et al*., 2011).

The purpose of this paper is to identify the ways in which the IEs of the GMS can be encouraged to become greener and smarter in nature, thereby helping to improve the basis of competitiveness of the economy as a whole. The value of the paper, therefore, is in contributing to evidence for public policy as a means of improving state-level competitiveness and, at the same time, improving workplace conditions, reducing pollution and waste and enhancing connectivity to increase complementarities and positive sum benefits. The ability of IEs to deliver better outcome and to become greener and smarter entities is conflated for the purposes of this paper into the concept of connectivity. Connectivity is a construct with different aspects that reflects the extent to which SEZs are embedded within an economy and society and can contribute to growth on a comprehensive rather than a purely financial basis.

The paper continues with an exploration of the relevant literature and then the methodology section describes the case study approach used to collect and analyze data. This is followed by a discussion of the case studies themselves and then general discussion and conclusions are provided.

2. Literature Review

a) The Next Generation of Industrial Estates

IEs and SEZs come in a number of different standard forms (see Table 2 below).

Type of zone	Development objective	Typical size	Typical location	Activities	Markets	Examples
Free trade zone (commercial free zone)	Support trade	<50 hectares	Port of entry	Entrepôt and trade-related activity	Domestic, re-export	Colon Free Zone (Panama)
Traditional EPZ	Export manufacturing	<100 hectares	None	Manufacturing or other processing	Mostly export	Bangladesh, Vietnam
Free enterprises (single unit EPZ)	Export manufacturing	No minimum	Countrywide	Manufacturing or other processing	Mostly export	Mauritius, Mexico
Hybrid EPZ	Export manufacturing	<100 hectares only part of the area is EPZ	None	Manufacturing or other processing	Export and domestic	Lat Krabang, Thailand
Freeport/ SEZ	Integrated development	>1,000 hectares	None	Multiuse	Internal, domestic and export	Aqaba, Shenzhen

Table 2: Types of Industrial Estates and Special Economic Zones; Source: Farole & Akinci (2011:2).

The purposes of building IEs are numerous and may be grouped into three areas:

- Economic and regional development: diversification of the economy, reducing regional imbalances, creating jobs and spinoffs;
- Orderly development and environmental reasons: clustering and concentrating economic activities for complementarity generation and ease of administration and management;
- Other objectives: reduce or control rural-urban migration, promoting synergistic effects and generating revenue and foreign currency (Chun, 2004).

Developing IEs for these purposes takes place during a period of intensive urbanization around the world and, in particular, in the Mekong Region. Cities such as Phnom Penh, Vientiane and Yangon may be small according to global comparisons, they nevertheless dominate the economic environment they inhabit, drawing to themselves labour, capital and technology while, at the same time, endangering the environment and the quality of life of residents. The over-development of many cities in the rest of the world indicates the importance of maintaining various balances in urban contexts: restoring the city's ecological integrity; redesigning systems of production and consumption and recasting urban citizenship to promote social and ecological justice (Wolch, 2007). This mode of thinking has led to the concept of industrial ecology, which suggests that industrial systems can develop in the same way that natural ecological systems do, although few actually reach that state (Gibbs &Deutz, 2007). In some cases, when environmentally-aware developments do take place, they have tended to be responses to previous complaints about pollution emissions or other problems. The proposed Rayong Eco-Industrial Estate on the Southeastern Seaboard region of Thailand, for example, must be understood in the context of the problems previously caused by the Map Ta Phut IE. The Rayong project will divide its 2,098 rai in two halves, one of which will encourage investment in green industries and the other half will be devoted to green areas and utilities (Wongsamuth&Praiyan, 2012). Other IEs have adopted niche strategies or else positioned themselves, physically or conceptually, in the interstices between emergent activities requiring additional support (Praiwan, 2012). This approach can help to support local industries and help them become part of international supply chains, to the long-term benefit of the economy.

b) The Connectivity Matrix

Connectivity is a multi-factorial construct, since there is a variety of different ways that firms can connect with each other. This section of the paper describes some of the means by which such connectivity can take place. Although the specific form of the SEZ involved affects the type and facility of connectivity that firms located within them can achieve, there are nevertheless some common features that define the nature and extent of those connections (see Figure 1 below).

	Internal	External
Physical	Facilities (buildings, plant, pollution)	Common infrastructure (transportation, utilities, sewerage etc.)
Virtual	Websites, networks	Internet
Commercial	Marketing and PR	Business development services (e.g. business matching, networking, structured learning opportunities)
Organizational	Cross-border intra-firm exchanges	Industrial Estate authority initiatives

Figure 1: The Connectivity Matrix; source: Walsh (2013)

It is possible to divide forms of connectivity between those that derive from internal sources and those that are imposed or made available externally. Physical internal connectivity involves shared or connecting buildings, facilities and plant; external connectivity includes physical infrastructure available to any occupant of the SEZ, including transportation (e.g. rail, road and port facilities), utilities such as electricity and water supplies and public health services such as sewerage. Virtual connectivity from an internal perspective includes the websites and internal networks operated by the firm and, externally includes internet and telecommunication services (some of which could be considered to be physical in nature – there is of course overlap between some of the categories). In the commercial category, internal connectivity includes the marketing and PR activities of firms, while external commercial connectivity involves a range of business services available from both public and private sector sources, including networking opportunities, business matching services and structured learning opportunities (Southiseng, 2012). Finally, organizational connectivity from an internal perspective includes intra-firm exchanges across geographical space, which may be cross-border in nature. From an external perspective, organizational connectivity involves those initiatives that are employed by the managers and owners of SEZs – which may include the host government – to promote joint activities and forms of cooperation between firms, as efforts to form or promote clusters of firms and organizations.

It is important also to observe that these types of connectivity exist within the context of the natural environment, from which various flows of resources takes place. The relationship between the SEZ and its connectivity with the natural environment may be considered a 'nurtured landscape' (Yang & Lay, 2004), in which new types of ecological technology may be employed to ameliorate the polluting effects of the industrial facilities. This adds an additional level to the analysis of connectivity but it is one that requires a higher order of holistic approach to the issue that requires a higher order of holistic approach to the issue than is often possible in the research area.

It may also be noted that the presence of connectivity, however it might be achieved, involves the consumption of space and, as a result, intensifies the unevenness of development and frequently has the effect of privatizing important and valuable resources which had been or might have become part of societal commons. For example, the building of the Multimedia Super Corridor in Malaysia involved the resettlement of plantation workers, the provision of access to information resources on an uneven basis and the effective privatization of technology and technological applications (Bunnell, 2002). These effects can be intensified when private hands control access to the benefits of a particular SEZ and privilege some organizations or individuals over others on a non-transparent basis, which has been said to be the case with the OkhnaMong Port and SEZ in Cambodia (Walsh, 2012).

1. Promoting Connectivity

In promoting connectivity between and among firms and other organizations, it should be borne in mind those firmseven those that appear to be similar to each other, are in fact distinctly heterogeneous in nature. Expecting one policy or initiative to be rolled out smoothly and evenly over a population of companies, therefore, is unlikely to be successful (Martin &Matlay, 2001). Since the SEZ concept is generally considered to be of value to the economy of the country at a national level, efforts to promote connectivity are often conducted at the governmental level. Several Mekong region countries have appointed state-mandated committees and even special laws to govern SEZ operations. For example, it is evident that the governments involved have opted to create new agencies and legislation to regulate and administer SEZs in their various manifestations. Legislation is either written in conjunction with

representatives of international best practice or else with close consultation with that best practice. The focus is primarily on the incentives to be provided for investors and the regulation of infrastructure and services by the government agencies concerned to those investors. Very little effort appears to have been made to take into account the interests of the workers in the case of collective bargaining or freedom of association rights while stakeholders' interests with respect to forcible resettlement and pollution have often received little more than lip service. The regulatory function of government appears to have been captured by the interests of investors and land-owners.

Governments may, therefore, act through these mechanisms to enhance connectivity or power may be devolved to these organizations that have been created to manage state-owned assets – for example, the Industrial Estate Authority of Thailand (IEAT), which is charged with overseeing all public sector SEZs in the country. In large countries, such as China, provincial authorities might be entrusted with the task. In Yunnan, for example, combinations of different authorities have worked together to situate build and administer IEs.

c) Thai Regionalism in Historical Perspective

As a pre-modern economy, before the 1950s, Thailand consisted of a primate capital city, Bangkok, a number of rural market towns and numerous villages where the majority of the population of subsistence farmers lived in mostly wooden, stilted houses. A primate city (McGee, 1967) is one which contains all of the principal political, economic, religious, social and cultural institutions within its limits, thereby ensuring that the urban areas in the country are of very little importance at the national level. Within Bangkok, the merchant class largely consisted of Sino-Thai families, who most commonly lived in shop-houses in areas such as Yaowarat and Sampeng (Van Roy, 2007). Domestic servants lived mostly within the premises of their employers (or, before 1905, their owners) and petty traders and day workers could travel via canals (known as '*klong*') from outlying areas where their huts were located.

Thailand, known as Siam until the end of World War II, had always suffered the economic impediment of low levels of population (e.g. Zimmerman, 1999). The amount of land available for settlement was determined by the 'rice frontier' (Baker &Phongpaichit, 2009), which was the expansion of land cleared of forest and made available for irrigation and, hence, the wet paddy agriculture on which Thai farmers have mostly relied. The water frontier expanded from rivers and streams which mainly flowed from the north to the south. As more land was opened and swamps drained and dangerous wildlife cleared, the population was able to increase and, in the post-war period, when Thailand was drawn into the cold war as a staunch American ally – at least at the establishment level – rapid economic development was achieved first through the intensification of agriculture and then later through export-oriented, import-substituting low labour cost manufacturing. As factories were opened, they did so in areas where links with the important market of Bangkok and its port LaemChabang were available or else where they could take advantage of extracted natural resources. As a result, housing was provided for the workers in the factories and industrial estates located to the north of Bangkok (for example, in Ayutthaya province) and at the eastern seaboard at the Gulf of Thailand, from which hydrocarbons are mined. Rising income levels in this newly created working-class enabled improvements in the houses of the families of some of those involved and contributed to increases in the gross domestic product (GDP) of the nation as a whole. Investors also brought demand for suitable accommodation and for retail and leisure facilities. To facilitate economic development and necessary urbanization, the Thai government began to provide public sector housing in the years following WWII. In the 1960s, walk-up apartments and detached houses were provided and, from the 1970s, townhouses and condominiums

(Pornchokchai, 2002). The urban population grew by about 5% per year during this period, about half of which is attributable to internal migration (Tirasawat, 1978).

Thai law states unequivocally that non-Thai citizens cannot own land in the country and this has represented something of a barrier to investment and the long-term residence by some investors. Some property management companies offer long-term (i.e. 99 year) leases and there is a tradition among ethnic Chinese merchants to marry a Thai woman and settle the property in her name but these options do not suit everybody. As a consequence, there has been an increase in demand for condominium accommodation, with a length of stay often determined by the organizational or corporate culture of the company involved. Large, western corporations commonly send managers overseas for a 3-5 year period, while an individual entrepreneur might be planned a permanent or newly permanent relocation. It might be noted that here that accurate and up-to-date figures for housing in Bangkok and Thailand as a whole are difficult to obtain owing to limitations in the technical capacity in the relevant agencies, the fact that so many construction firms are family-owned and so do not provide comprehensive reports and because of the general opacity that overlays so much of life in Thailand. However, one recent estimate of the continued growth of the property market in greater Bangkok was that 124,000 new units would be put on the market in 2013, some 64% of which would be condominiums, 21% townhouses and 9% single houses (Online Reporters, 2013).

At the same time, tourism within Thailand has rapidly increased and, with this, demand for hotel and other accommodation not just within Bangkok but also in resorts such as Pattaya, the islands of KohSamui, Krabi and Phuket and northern cities such as Chiang Mai. Transportation infrastructure linking these resorts with international airports has also been built and accommodation for those workers to service the new facilities has also been built. Again, apartment blocks of various types have become popular to meet these kinds of demand. A great deal of labor provided to service the important new sectors is migrant in nature, with large numbers of people travelling from Thailand's relatively impoverished northeastern Isan region, as well as other regions. Much of the work involved is seasonal in nature and the workers return to their home provinces for one or more extended periods of time during the year. This means the demand for accommodation is generally not permanent in nature. This means the demand for accommodation is generally not permanent in nature. It also means there is a greater incentive for the workers involved to develop their properties in their home provinces. This also occurs when there is an international marriage and the incoming partner (male, generally) wishes to build a more international style property within the village concerned. International labor migration has also become an important phenomenon and this too has contributed to the development of housing across the country. Growing incomes and demand for property contributing to various asset price bubbles in housing in Bangkok in particular, notably the long boom of 1986-97 when the Asia financial crisis struck (Pornchokchai, 2002).

3. Spatial Reconfiguration Policies

That the dominance of Bangkok within the Thai economy was problematic has been a policy issue for some decades. From the 1960s (see Table 1 below), efforts have been made to reconfigure the spatial arrangements of economic activities within the country so as to promote regional development and decrease the pressures caused by domestic labor migration.

National Plan	Urban and Spatial Development Guidelines
1st, 1961-6	No priority
2nd, 1967-71	Recommended decentralization to expedite rural development in the Northeastern Region
3rd, 1972-6	Emphasis on measures to control population size and migration from rural areas to Bangkok recommended development of new towns as satellite towns of Bangkok
4th, 1977-81	Developed regional cities as centres for rural-regional decentralization; developed Bangkok as the self-contained polycentric metropolis so that the inner zone, the suburbs and the outer zone could have economic and social centres of their own
5th, 1982-6	Initiated development of economic areas in Eastern Seaboard to divert economic activities from Bangkok Metropolitan Region (BMR); formulated structural plan of BMR and identified specific roles for each community; developed five regional cities: Chiang Mai, Khon Kaen, Nakhon Ratchasima; Chonburi and Songkhla-Hat Yai
6th, 1987-91	Formulated development policies on urban and specific areas, e.g. growth management of Bangkok through fiscal and legal measures and the Regional Cities development programme accelerated development in the Eastern Seaboard area and preparation for new economic zones in Upper Southern Region, Songkhla Lake Basin and Pakpanang Basin
7th, 1992-6	Formulated development guidelines for BMR by coordinating infrastructure investments together with land and environmental management; continued development in Eastern Seaboard area; launched industrial development policy in Upper Central region with Saraburi province as the centres
8th, 1997-2001	Continued development in Eastern Seaboard area, Southern Seaboard area, Western Seaboard area and the BMR; emphasis on economic cooperation with neighbouring countries under the framework of the Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT), Greater Mekong Subregion (GMS) and Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC)
9th, 2002-6	Formulated strategy on restructuring of sustainable rural and urban development through empowering community; developing livable city and community; reducing rural and urban poverty; developing benign urban-rural linkage and formulating strategy on regional, sub-regional and community development; launched provincial cluster development policy
10th, 2007-11	Emphasis on strategy to empower community as country's foundation; focused on participation of all partners in every step of development, especially in clarifying roles of development partners to be used as guidelines in formulation of action plans; continued provincial cluster development policy

Table 3: Thailand's Spatial Strategy, 1961-2011;
Source: adopted from Kmonwatananisa, Nitaya, Thailand's Management of Regional and Spatial Development (Bangkok: NESDB, 2008), pp.6-9.

The 11th plan, covering the period 2012-6, includes among its objectives the restructuring the economy towards inclusive growth, strengthening the agricultural sector, building interconnectivity across countries in the region towards socio-economic security and managing future disaster risks (NESDB, 2011). Of course, the technocratic discourse in these plans is aimed at demonstrating that Thailand's development has been a foreseen, planned, rational and coherent process when, in reality, a great deal of ideological and interpersonal conflict has taken place behind the scenes. For example, the extensive role of cross-border labor migration in the country is almost completely ignored.

4. Spatial Reconfiguration after the 2014 Coup

One of the first acts of the junta after the 2014 military coup was to launch a campaign of intimidation against migrant workers, particularly those from Cambodia. Reports indicated that as many as a quarter of a million Cambodians fled across the border at gunpoint, with predictably negative consequences for the Thai economy (not to mention to well-being of the Cambodian workers, their families and communities) (*Al Jazeera*, 2014). Some workers have subsequently returned but the ability of authorities to determine exactly who is doing what and where seems to have improved only to a very limited extent. It subsequently emerged that the campaign against workers was not just against foreign workers but also extended to Thai workers too, particularly those in the informal sector. In Bangkok and in seaside tourist sites such as Pattaya and Phuket, authorities moved to close down street vending of various types (e.g. *The Japan Times*, 2015). There is no doubt that there is a great deal of irregularity and illegality in the informal sector, or that there are many people in high positions of authority who profit from that irregularity. However, the junta appeared to be guided more by aesthetic (ideologically-aesthetic) concerns than those related to justice. Various other campaigns, such as those encouraging people to wear 'traditional' Thai dress and forcing schoolchildren to recite 'core values,' not to mention the endless tirades from the dictator Prayuth himself (*The Nation*, 2014).

Everyday politics is created by routine, mundane interactions at street level (Kerkvliet, 1990). By attempting to limit the number of people on the streets,[1] the junta is aiming (whether the dictator and his cronies realize this or not) to reduce the ability of people to meet and discuss issues of interest and, thereby, create new ideas and approaches, even at a comparatively low level. It is notable that this campaign is directly opposite to the approach favored in more advanced countries and, also, aspirational countries, who have been engineering means to encourage and enhance interactivity by placing complementary institutions in direct proximity to each other, in accordance with the Seattle model (Broekel&Boschma, 2011). In Singapore, for example, the Jurong Industrial Estate has been placed in such a way that its inhabitants have opportunities to come across tertiary education institute members and is encouraged to sit down and talk to them (cf. Yuen, 1992). Singapore is not noted for its willingness to permit freedom of speech but it is noted for its high standards of living and its creativity, within defined boundaries.

For some years, it has been suspected that Thailand's elites favored the Singapore model of street vending, in which vendors are restricted to certain specified areas, which may be hygienic and well-defined but are expensive for the vendors themselves. This was a policy which was suspected but for which corroboration in the form of policy statements or irrefutable actions was never received. However, the actions of the junta reveal the truth. The working poor are to be placed in economic reservations, just like the cross-border labour migrants and, as discussed below, members of border region SEZs.

At a larger spatial scale, the continued development of the Asian Highway Network (AHN), led primarily by capital from the Asian Development Bank (ADB), is linking the major places of production and consumption throughout Asia and beyond. In Thailand, this has meant the construction of both North-South and East-West Economic Corridors, both of which (in conjunction with the free trade agreements, bilateral and multilateral, previously signed) have increased the ability of firms within Thailand to connect with stakeholders and customers

[1] The same approach was used by the Khmer Rouge, with which the Thai military had deep and very profitable ties, which emptied the capital city of Cambodia, Phnom Penh, almost completely on the basis that, at least in part, conversation could give rise to possible dissent (Kiernan, 2005: 64).

regionally and internationally. After lengthy prevarication hinting at significant internal discord, the junta finally announced that it would go ahead with Pheu Thai's ambitious infrastructure projects – although with increased involvement from the Chinese government, which was one of the few international voices not to condemn the coup openly.The continued extension of the AHN pursues the process of advanced capitalism that aims to annihilate space and time. That is, it is a stepping stone towards the direct connection between production and consumption. Evidence from around the world indicates that greater and wider consumption choices are very popular among people as a whole.

Within cities and regions, such as Thailand's 77 provinces, most instances of reconfiguration of space have resulted from bottom-up, private-sector initiatives. The spread of public sector infrastructure projects, mostly seen in Bangkok, have provided opportunities for property developers and retail managers, among others, to create new consumption possibilities for residents which appear to be extremely popular. There is, of course, always a danger, especially in Bangkok but increasingly so in other urban centres, for asset price bubbles to develop when market conditions seem attractive. This remains a possibility for the Thai economy, since the coup has resulted in plunging tourism numbers (Thai PBS, 2015) (other factors are also relevant here), disastrous drops in consumer and investor confidence and the condemnation of the most of the world (Brunnstrom& Mohammed, 2014).

a) SEZ Policy

SEZ policy has also been reinvented or, at least, re-presented. In the original concept, new SEZs would be created in various parts of the country to capture cross-border complementarities of supply and demand as part of the attempt to escape the Middle Income Trap. The junta has decided to continue with a similar policy but has made the change that cross-border day workers will be used as the main part of the labour force. Apparently, this will contribute to the stated policy of promoting value-adding activities in strategically important industries. In reality, it is very difficult to imagine how this could possibly take place. A more rational approach would be to seek the formation of cross-border SEZs, since (among other reasons) cross-border differences are so significant that a win-win situation is provided in terms of job creation, cost reduction and technology transfer, at least in theory (Taguchi, 2014).

A relatively new approach to SEZs, especially in the Greater Mekong Subregion (Thailand, Cambodia, Myanmar, Laos, Vietnam and Yunnan province and Guanxi Autonomous Zone of China), is to create cross-border or border-facing SEZs. The idea is to harness competitive advantages available on both sides of the border with reduced transaction costs resulting from transportation and infrastructure. One such example of an SEZ of this type is in NongKhai province of Thailand, which borders the Lao PDR capital of Vientiane and its surrounding province across the River Mekong. Cross-border trade and investment in NongKhai is already estimated to be worth some US$1,212 million annually and this is likely to increase significantly as further stages in the implementation of the ASEAN Economic Community (AEC) take place, particularly the 2015 changes that are projected to take place. This will include some freer movement of skilled labour across borders for a small number of job categories, although that number is likely to increase in the future. It seems logical, therefore, to establish a border-facing SEZ in NongKhai province to take advantage of cross-border complementarities and to enhance connectivity in this context.

Province	Neighboring Country	Border Trade 2011	Value (billion baht) 2012	% change
Songkhla	Malaysia	603.21	557.72	-7.54
Kanchanaburi	Myanmar	104.36	108.71	4.00
Nong Khai	Laos	45.14	64.07	29.55
Sa Kaeo	Cambodia	38.22	51.32	25.53
Mukdahan	Laos	41.82	49.97	16.31
Tak	Myanmar	22.10	3937	43.87
Chiang Rai	Myanmar, Laos	34.01	39.24	13.33
Trat	Cambodia	21.91	24.94	12.15
Ranong	Myanmar	25.33	19.99	-26.71
Ubon Ratchathani	Cambodia, Laos	11.09	13.33	16.80
		982.21	1,011.72	2.92

Table 3: Cross-Border Trading Volumes, 2011-2;
Source: Adapted from Commerce Ministry,
"Top 10 Provinces with Highest Border Trade Value," in Katharangsiporn, 2014.

NongKhai is currently scheduled to be part of a second wave of SEZs to be launched as cross-border schemes within the next two years, along with areas in the provinces of Chiang Rai, Kanchanaburi, NakhonPhanom, and Narathiwat. In the first year, The first phase is as follows: "Tak, Mukdahan, Songkhla, Sa Kaeo and Trat provinces which will span 10 districts and 36 tambons with a combined area of 2,932 square kilometres. The development plan, starting with Mae Sot in Tak and Aranyapathet in Sa Kaeo, will be carried out from 2015-6 (Post Reporters, 2015). To some extent, the SEZs will be used to house (in part) already existing or emerging agro-industrial clusters such as tea and saa paper in the north of Thailand (Apisitniram, 2014). For the Sonkhla SEZ in the south of the country and bordering Malaysia, the focus will be on rubber processing, rubber tyres and rubber gloves based on the existing plantations, together with the means of bringing goods to markets such as integrated logistics including container yards and inland container depots (Pratruangkrai, 2015). In other cases, various strategically important industries have been identified, in which Thailand has a particular competitive advantage, such as agriculture, fisheries and related industries, ceramics, textiles, garments and leather, furniture, jewelry and ornaments, medical appliances, automobiles, machinery and parts, electrical appliances and electronics, plastics, pharmaceuticals, logistics, industrial estates, and tourism-related industries (Theparat, 2015). This gives the opportunity for the government to use industry policy to create competitive advantages for individual firms which might, at least in some cases, turn out to be sustainable in nature. To achieve this, it will be necessary to improve the value-adding ability of firms in existing SEZs and develop linkages internally and will other places of production and consumption, as is for example taking place with the fostering of R&D at a zone in PathumThani (Rungfapaisarn, 2015). However, construction of new SEZs is currently being hampered by rampant speculative activities relating to land ownership and selling prices, as well as the need to improve infrastructure in areas close to SEZs to reduce existing bottlenecks and prepare for enhanced future usage (e.g. Mahitthirook, 2014).

5. Conclusion

SEZ policy in Thailand in the future will operate with both an internal and an external dimension. The external dimension will include zones such as those at Dawei in Myanmar and those being built in Lao PDR and Cambodia, which will offer opportunities for further perpetration of the Factory Asia paradigm (export-oriented, import-substituting, low labour cost competiveness in intensive manufacturing) in countries which have not yet reached the Lewisian point and, hence, can still draw workers from the agricultural sector into the industrial sector (Walsh, 2014). These will be balanced with the internal SEZs, which are those already existing and those scheduled to be built over the next few years, which ostensibly offer rational benefits to investors but which are likely (depending on the nature of the government over the next few years) to represent a more problematic relationship with workers, specifically the

foreign workers that are expected to cross the border daily as a means of transforming economic development. In any case, the rate of progress throughout the second half of 2014 and the first half of 2015 have been so slow that it may be that no measurable progress at all will be made before the next political transition takes place and the time will have been completely wasted.

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