Administration, Border Zones and Spatial Practices in the Mekong Subregion

Dennis Arnold

A dissertation submitted to the faculty of the University of North Carolina at Chapel Hill in partial fulfillment of the requirements for the degree of Doctor of Philosophy in the Department of Geography.

Chapel Hill
2010

Approved by:

Dr. John Pickles
Dr. Altha Cravey
Dr. Michael Hardt
Dr. Kevin Hewison
Dr. Wendy Wolford
ABSTRACT

DENNIS ARNOLD: Administration, Border Zones and Spatial Practices in the Mekong Subregion
(Under the direction of John Pickles)

This dissertation focuses on transformations in border-based economic zones in the Greater Mekong Subregion (GMS). The political and economic processes building border economies in the GMS over the past 10-20 years shed light on the politics of scale and the ways in which states do and do not seek to link territories and citizens with the political dynamics, economic systems, labor and natural resources of neighboring countries. Mechanisms of global economic management, regulation and control are a fragile, eclectic mixture. Governance networks comprising state practices, labor regimes, globalized production networks and multilateral agencies are creating spaces for capital accumulation in the borderlands of the GMS. I find that no one actor can independently configure and maintain the geo-economic and geo-political re-ordering taking place in the GMS. This is largely due to the fact that space making is never only about locking in capital, but also about shaping a range of political desires through spatial reconfigurations that offer new opportunities for profit and power. From this perspective space is multiple and contingent, and global and situated elements combine to create new forms of spatial administration to control feminized and migrant labor. The different forms these take along the GMS borderlands offers insight into changing global-local governance structures and practices.
ACKNOWLEDGMENTS

Brevity is difficult when writing acknowledgements for this project. I have attempted to narrow the field to the people who played a significant role in the completion of this dissertation. Needless to say, it has been difficult to keep the acknowledgments shorter than the eight chapters that follow. The normal sets of disclaimers apply—I am sorry for not including all of the names of those who have helped me out with this dissertation in one way or another, and I am responsible for any errors in fact or analysis.

First, I thank my father who passed away a few weeks before writing these acknowledgements. I am happy that he lived to see his youngest child become a doctor, the first in our family. He was proud of me for this accomplishment, as he always was, and I’m proud of him for always encouraging me to pursue whatever it is that makes me happy. Sometimes the hardest thing is to let go, but he did that for me when I wanted to live years of my life in places far away from home. Since I can remember my mom has taken great interest in whatever it is that I’m doing. Thanks mom for always being supportive, for being strong through the difficult times, and for passing on your love of books.

Julie de los Reyes has given me a reason to strive for something better for myself and the world. Not only has she been my best friend, intellectual companion and lover, but also my editor, proofreader, walking-talking bibliography, IT support, psychoanalyst,
councilor, advisor and the list goes on. I would not have made it through graduate school without her.

I spent several years working on my dissertation topic before entering UNC. I cannot say enough for what Dae-oup Chang and Junya ‘Lek’ Yimprasert have done for me as friends, offering guidance and inspiration. I also owe a special debt of gratitude to Kong Athit and Monina Wong. I would not have been able to conduct much of the fieldwork for this dissertation without people I came to know through you all. In particular, I thank Asia Monitor Resource Centre, Burma Labour Solidarity Organisation, Coalition of Cambodian Apparel Workers’ Democratic Union, Thai Labour Campaign, Womyn’s Agenda for Change and Yaung Chi Oo Workers Association. Peter Bell, Dae-oup, Lae Dilokvitharat, Kevin Hewison and Sripapha Petcharamesre are the people I thank (or at times blame) for initiating the thought that I should further my education. Peter was especially helpful in seeing me through the difficult transitional years.

During dissertation fieldwork I met with and interviewed too many people to mention here (Appendix 1). I am particularly grateful to Voravidh Charoenloet who set off a chain reaction of amazing access to people in Thailand and Cambodia. Many people were gracious with their time, sharing information and generally taking an interest, including Masato Abe, Peter Brimble, Hean Sopauline, Larry Kao, Kimlong Chheng, Martin Gainsborough, Bent Gehrt, Kyoko Kusakabe, Eddy Malesky, Bruno Maltoni, Moe Swe, Noritada Morita, Orn Nan, Phil Robertson, Sopheap Sao (and everyone at WAC), Than Doke, Geoff Thant, Thein Swe, and many, many others.

My time at UNC was fairly brief, but along the way I met some great people. Joseph Palis and Matt Reilly, more than anyone, talked me through the ups and downs of
grad student life, and I can’t thank them enough. I worked closely with Annelies Goger on projects for several years and I learned a lot from her. John Pickles and Linda Quiquivix stepped in for me when I needed help during my father’s illness and passing, as did Nell Phillips, Barbara Taylor Davis and Dan Warfield, all of whom have been kind and generous throughout my time at UNC.

At UNC I took many great classes with Altha Cravey, John Pickles, Tom Whitmore and Wendy Wolford, and I thank Arturo Escobar and Larry Grossberg for letting me sit in on portions of their courses. At Duke University I had the good fortune of taking courses with Frederic Jameson and Bai Gao, in addition to sitting in on a course with Michael Hardt. My time working as an RA on the project ‘‗The Geographical Consequences of the End of Quota Constrained Trade in the Global Apparel Industry,‘’ led by John Pickles and Meenu Tewari at UNC, Gary Gereffi at Duke, and Adrian Smith at Queen Mary, University of London was a great learning experience.

I have had many opportunities to present my work at conferences and workshops while at UNC. One of particular importance came a few weeks before beginning fieldwork, the “Contemporary Thailand Workshop” hosted by the Carolina Asia Center and Royal Thai Embassy at UNC-Chapel Hill in November 2008. The participants, including many of the top Thai studies scholars in the world, provided useful comments. In particular, Pitch Pongsawat, whose fingerprints are found throughout my work on Thailand in this dissertation.

I came to Chapel Hill to work with an amazingly brilliant, caring and thoughtful source of positive energy known as John Pickles. John sets very high standards for mentoring and scholarship. I cannot count the number of draft chapters and articles he
has read, his office door and/or email inbox was constantly open, and with ease he talked me out of my many panic moments when writing this dissertation. Most importantly, I feel that I am a better person for having known and worked so closely with John for four years. Kevin Hewison has been my second (unofficial) advisor and friend for many years. I came to Chapel Hill on his advice, and have been very fortunate to work closely with him. I can’t thank him enough for all the time he has spent with me and my work. Jim Glassman was not on my dissertation committee, but in many ways his name should appear on the list. His activism and work has guided me, though after reading this dissertation he may argue that I got lost along the way!

My dissertation committee comprised five top notch scholars: Altha Cravey, Michael Hardt, Kevin Hewison, John Pickles and Wendy Wolford. Their questions, comments, guidance, interest and suggestions are much appreciated. Most of all, I thank them for helping me to see that this dissertation is important, but is a work in progress. I will take their thoughts and build something that moves in and beyond this current form. A good dissertation, as they reminded me several times, is one that provides at least 5-10 years of unanswered questions and interests to pursue. You helped me achieve that, thank you all.
# TABLE OF CONTENTS

List of Tables ........................................................................................................................................... xi

List of Figures ............................................................................................................................................. xii

Chapter 1 Governing a Geo-economic Subregion .................................................................................. 1

  Introduction .............................................................................................................................................. 1
  The Thesis ................................................................................................................................................ 7
  Introducing the Case Studies .................................................................................................................. 9
  Literature Review and Conceptual Framework ..................................................................................... 23
  Outlining the Chapters ........................................................................................................................... 34
  Research Questions and Methods .......................................................................................................... 41

Chapter 2 Low-cost Sourcing in the GMS: Comparing Policies in Cambodia and Thailand.................. 45

  Introduction .............................................................................................................................................. 45
  Thailand’s Industrial Structure and Sub-regional Policies ................................................................. 46
  Mae Sot and Global Production Networks: The ‘Low Road’ of Labor Standards..................... 53
  Cambodia: The ‘High Road’ of Labor Standards? ........................................................................... 60
  Implications for Garments in Cambodia ............................................................................................... 69
  Conclusions .............................................................................................................................................. 71

Chapter 3 Policing Migrants and ‘Better Factories’: Informalizing Labor in Global Production Networks ........................................................................................................................................ 74
The Mae Sot-Myawaddy SEZ: Re-territorializing the Borderlands .......................... 190
Conflicting Scales of Re-territorialization ............................................................... 199
Conclusions .............................................................................................................. 206
Chapter 8  Conclusions .......................................................................................... 209
Appendix 1  List of Interviews ............................................................................... 218
References .............................................................................................................. 221
# LIST OF TABLES

Table 1: Thailand's Employment by Sector ................................................................. 51

Table 2: Thailand’s Apparel Exports, 2005-2008 .......................................................... 57

Table 3: Comparative Wages in Asia, 2008 .................................................................. 59

Table 4: Statistics on Cambodia’s Garment Industry (US$ Million unless noted) ............ 61

Table 5: US Garment Import Value, Top Ten, Million US$ ............................................ 69

Table 6: Three Tiers of US Textile and Apparel Suppliers, US$ per Square Metre
        Equivalent (sme), 2008 ..................................................................................... 71

Table 7: US Imports of Bras, Dozens (millions), MFA Categories 349 and 649
        (Cotton and Synthetic, respectively) .................................................................... 111

Table 8: US Imports of Bras, Dozens (millions), MFA Categories 349 and 649
        (Cotton and Synthetic, respectively) .................................................................... 111

Table 9: US Imports of Bras, 1990-1999 Dozens (millions), MFA Categories
        349 and 649 (Cotton and Synthetic, respectively) ................................................. 112

Table 10: US Imports of Bras, 2000-2008, Dozens, MFA Categories 349 and 649
        (Cotton and Synthetic, respectively) .................................................................... 112

Table 11: US Imports of Bras, 2000-2008, Dozens (excluding China), MFA Categories
        349 and 649 (Cotton and Synthetic, respectively) ................................................. 113

Table 12: US Footwear Imports, Top 10 sources, US$, Millions .................................... 128

Table 13: US Imports of Footwear, Top 10, Excluding China and Total Imports,
        US$, millions ........................................................................................................ 128

Table 14: EU-27 Imports of Footwear, Top 10, in Million Euros .................................... 129

Table 15: EU-27 Footwear Imports, million Euros .......................................................... 129
LIST OF FIGURES

Figure 1: Location of Cambodia-Thailand Refugee Camps, 1979-1984................................. 3

Figure 2: Burma-Thailand Refugee Camps, 2010 ................................................................. 4

Figure 3: Traders wading across the Moei River at the Thailand-Burma border (left), about
20m upstream from the Thailand-Burma Friendship Bridge (right) ................................. 5

Figure 4: The Greater Mekong Subregion ........................................................................ 6

Figure 5: A typical office in Mae Sot with a photo of Daw Aung San Suu Kyi; and a
Burmese market in Mae Sot, Thailand .............................................................................. 14

Figure 6: Thailand Map Highlighting Tak Province ............................................................ 15

Figure 7: Map of Mae Sot and Myawaddy ........................................................................ 16

Figure 8: Cambodia Map Highlighting Svay Rieng Province .............................................. 18

Figure 9: Cambodia Provincial Map .................................................................................. 19

Figure 10: A Bavet casino ................................................................................................. 21

Figure 11: Bavet and Highway 1 connecting Phnom Penh and Ho Chi Minh City ............. 22

Figure 12: A Mae Sot factory ............................................................................................ 54

Figure 13: A funeral procession for a murdered Burmese migrant in Mae Sot............... 80

Figure 14: Burmese migrant workers filing compensation claim forms .......................... 82

Figure 15: Burmese migrants waiting to return to factory work ....................................... 83

Figure 16: A dormitory for Burmese migrants at a Mae Sot factory ................................. 85

Figure 17: The Mae Sot Labour Protection Department and the Federation of Thai Industries
offices in 2003 ...................................................................................................................... 88

Figure 18: Cambodian workers at a training with a local NGO ......................................... 94

Figure 19: Workers at the 2009 May Day rally in Phnom Penh ........................................ 96
Figure 20: Number of Strikes in Cambodia, 2002-08.................................................. 97
Figure 21: Location of Jiangxi Province in the People's Republic of China ................. 119
Figure 22: GMS Road Transport Network, 1992, 2006, 2015 ........................................ 138
Figure 23: Economic Corridors and Border Growth Nodes in 2000; Economic Corridors in 2007.................................................................................................................. 141
Figure 24: Economic corridors in 2007 ........................................................................ 142
Figure 25: Entrances to the Manhattan SEZ (Bavet) and Koh Kong SEZ (Koh Kong) .... 151
Figure 26: Map of Cambodia’s Special Economic Zones ............................................. 152
Figure 27: Basic Concepts and Conditions for SEZs in Cambodia ............................... 154
Figure 28: Map of US Invasion of Cambodia, April-June 1970...................................... 168
Figure 29: A fairly typical mansion in Phnom Penh ....................................................... 174
Figure 30: Select SEZ Developers and Their Political/Business Links ......................... 179
Figure 31: The Mae Sot border checkpoint .................................................................. 188
Chapter 1

Governing a Geo-economic Subregion

Introduction

The borderlands of continental Southeast Asia have long been territories beyond the control of central state authorities. Examples include Khmer Rouge bases along the Cambodia-Thailand border in the 1980s to mid-1990s, and insurgent groups along Burma’s borders with Thailand, China and India from the Cold War to the present. Intra- and inter-state wars and conflicts have been commonplace in recent decades. They include the 60+ year insurgency in Karen state of Burma (Myanmar),¹ Khmer Rouge incursions into Vietnam in the mid to late 1970s and subsequent Vietnamese invasion and occupation of Cambodia, and the Thailand-Cambodia conflict over the Preah Vihear Temple since 2008, to name only a few. One consequence of these conflicts is border areas have been destinations for refugees numbering in the millions. In the 1980s-1990s several million from Cambodia and Laos lived in border refugee camps (see Figure 1). In 2010 roughly 240,000 people from Burma live in refugee camps in Thailand (see Figure 2), in addition to tens of thousands of internally displaced people.

¹ The use of Burma or Myanmar is, of course, a politicized matter. The name is one aspect of struggles over political legitimacy in the country, the name being changed in 1989. Following Josef Silverstein (2007), I maintain that political legitimacy is for the people of that country to decide. I use Burma throughout this dissertation, but both Myanmar and Burma historically refer to the majority Burmans. Needless to say, using either name is problematic from the perspective of the many ethnic minority groups struggling for greater autonomy, a federal state, or even independence.
Over the past 15 to 20 years there has been a pronounced shift in population movements. Increasingly people are moving for work rather than to escape wars and fighting. Migrants searching for better life options and work have increasingly populated both border areas and much of Thailand, the primary destination for migrant workers in the subregion. For example, there are some 3-4 million migrant workers throughout Thailand (80% from Burma, 20% from Cambodia and Laos). In Cambodia many different kinds of migration have taken place, both domestic and international, the largest scale being resettlement of hundreds of thousands from the refugee camps in the 1990s. Around the same time garment factories in the Phnom Penh vicinity began to employ rural-urban migrants, with employment peaking at 350,000 in 2008, some 80% from rural households. For both Burmese migrants in Thailand and Cambodia’s internal migrants, informalized labor practices are the norm, particularly in terms of implementing legislation on contracts, wages, collective bargaining, freedom of association and the like.

The borders are places where powerful meanings are generated with respect to ideas of national identity and conceptions of security (Hughes 2011). These processes continue to play a central role in state legitimacy among the countries of the Mekong. Political rhetoric and nationalisms contain a rich repertoire of images that derive their force from derogatory portrayals of neighboring countries (Hughes 2011). Reminders of the Burmese sacking of Ayutthaya (Thailand) in the 18th century, Vietnam’s annexation of lower Cambodia or what is today the Mekong Delta, and perceptions of Thai ambitions for Cambodia’s Angkorean heritage are central aspects of politics in the region and sources of political legitimacy. As a result, border security is a critical albeit contested aspect of state power and national cohesion.
In the post-cold war era border trade has been largely ‘illegal’ or unregulated (see Figure 3), customs procedures (where they exist) tend to be slow and subject to corruption, and physical infrastructure is either in disrepair or non-existent. It is in this area that states of continental Southeast Asia and China’s southern provinces have to varying degrees cooperated under the Asian Development Bank’s (ADB) Greater Mekong Subregion (GMS) program. In 1992, the ADB initiated the GMS Economic Cooperation Program. Members comprise countries along the Mekong River, including...
Burma, Cambodia, Lao PDR, Thailand, Vietnam and Yunnan province and Guangxi Zhuang Autonomous Region of China (see Figure 4). The program’s activities can be grouped into three main areas (ADB 2007): a) physical infrastructure—transport, power, and telecommunication facilities—to promote overall economic growth and greater trade,
investment, and tourism flows; b) policy and institutional initiatives to maximize the benefits and opportunities from physical infrastructure; and c) initiatives to address common social development and environmental sustainability concerns. This has become one of the most sustained and high profile impetus for stimulating free trade in the region. It has, among other things, assisted states’ efforts to gain control of ‘vague’ areas through infrastructure development programs and trade facilitation projects implemented since the late-1990s.

**Figure 3: Traders wading across the Moei River at the Thailand-Burma border (left), about 20m upstream from the Thailand-Burma Friendship Bridge (right)**

![Image of traders wading across the Moei River.]

Photo: Dennis Arnold

In the ADB’s GMS framework economic corridors and border growth nodes are two primary means to attract private sector investment in peripheral areas of the GMS. These investments are deemed necessary to activate the long term, fixed capital investments in infrastructure, or, “Build it and they will come.” Combined these are among the most prominent aspects of the GMS project, yet the project’s motto,

---

2 The term ‘Greater Mekong Sub-region’ did not exist prior to this, yet the notion of the territories along the Mekong forming a sub-region has existed since 1957 with the formation of the Mekong Committee (Mya Than 1997; Oehlers 2006).
Figure 4: The Greater Mekong Subregion

Source: Asian Development Bank
‘connectivity, cooperation, community’ is not designed to address two of the most sensitive issues of national and sub-regional development initiatives: labor migration and labor regimes more generally,³ and integration of cross border investment and production networks.

The Thesis

This dissertation focuses on two emerging border economic zones in the GMS, Mae Sot in Thailand (Burma border) and Bavet in Cambodia (Vietnam border). In these places state practices, changing labor regimes, the shifting Asia-regional division of labor in globalized manufacturing networks, and multilateral agencies ambitions embed a sub-regional economy in the circuits of the global factory. I present a differentiated analysis of the evolution of individual states and economies acting within a sub-regional development framework. This approach explores how the economy, state, labor and multilateral institutions are mutually imbricated, structurally coupled and coevolving. State practices in these border areas are flexible, and two movements are identified. One is the state withdrawing to accommodate global production networks and interventions of the Asian Development Bank. And the second movement is the state deepening its reach in border territories and the control of populations, at times utilizing ADB and other interventions to extend its reach. The two movements are layered and the multiple tensions are addressed throughout the dissertation.

In the GMS specific border and cross-border zones once seen as territorial boundaries for state power and sites of inter-state conflict are now rapidly being re-

³ Yushu Feng of the ADB said that the ADB distances itself from the labor migration issue (interview, June, 2009). Ronald Butiong from the ADB said that the ADB does not have technical expertise in labor migration, and it’s a sensitive area (interview, August 21, 2009).
articulated as functional regions requiring their own structures and practices of governance. The border is increasingly becoming the site in which these new articulations of investment and spatial administration are emerging. Regional integration is, as a consequence, becoming more appropriately represented as a process by which new regulatory regimes emerge, offering new opportunities for profit and power (Hughes 2011).

The Greater Mekong Sub-region provides a particularly clear illustration of the complex intertwining of state practices, global production network dynamics, multilateral institutions and labor formations. Programs associated with the ADB GMS Program are established by international organizations and national authorities, but they are implemented by the local, national and trans-national organizations that manage the flow of labor and investment. Comparing two border economic zones in different parts of the subregion focuses attention on the socially embedded, socially regularized ensemble of economic activities, organizations and institutions that combine to give a distinctive dynamic to specific capitalisms in distinct times and places (Jessop and Sum, 2006). This moves away from general stylized models of GMS development to more differentiated analyses of the evolution of individual states and economies acting within a sub-regional development framework. Thus, it entails a move beyond market-state debates to explore how the economy, state, labor and multilateral institutions are mutually imbricated, structurally coupled and coevolving.

The thesis of the dissertation is centered on the contention that mechanisms of global economic management, regulation and control are a fragile, eclectic mixture. Governance networks comprising state practices, labor regimes, globalized production
networks and multilateral agencies are creating spaces for capital accumulation in the borderlands of the GMS. I explore these governance networks primarily through the prism of global production networks to understand competing interests within and among states, capital and multilateral institutions. No one actor can independently configure and maintain the geo-economic and geo-political re-ordering taking place in the GMS. This is largely due to the fact that space making is never only about locking in capital, but also about shaping a range of political desires through spatial reconfigurations that offer new opportunities for profit and power. From this perspective space is multiple and contingent, and global and situated elements combine to create regulatory regimes that offer new opportunities for profit and power. Control of feminized and migrant labor requires new forms of spatial administration, and the different forms these take within the GMS offers insight into changing global-local governance structures and practices.

Introducing the Case Studies

It is easily assumed that the GMS is a post-Cold War creation—a vision expressed by former Thai PM Chatichai Choonhavan of ‘turning battlefields into marketplaces,’ or enabling economic development to bring peace and prosperity after decades of war and trauma in continental Southeast Asia. What is less discussed is that the GMS idea was fostered at the height of the Cold War in the early to mid-1980s, and the foundations for the GMS were laid in 1983-1985 at a time of extreme political confusion and tension in the sub-region. For example, in the early 1980s China, the US and Thailand were supporting Khmer Rouge positions along the Thai border to counter Vietnam’s occupation of Cambodia. It was a time when Thailand and Laos had a short
border war. Also, the Communist Party of Burma, Karen National Liberation Army and other ethnic groups controlled nearly all of Burma’s borders areas.

Noritada Morita is credited with having founded the GMS project during his tenure as the ADB’s Director of the Programs West Department (Chen 2005:196; Glassman 2010:79; Medhi 2004:996).\(^4\) When asked to discuss the geo-politics of GMS formation in an interview in October 2009 in Bangkok, he began by stating that “The GMS is not associated with Japan or the US. In terms of money, maybe, but that is nothing to me. The point is, looking objectively, the GMS has nothing to do with any specific power, unlike Asean”\(^5\) (interview, October 30, 2009). The point he made is that Asean was born out of the Vietnam War and was a formal political association to counter communism in Asia. Mr. Morita, looking back at his role in the mid-1980s, said that if there was to be peace in the region it could not be achieved through US, Japanese and other “foreign affairs people.” Rather, he said “the initiative had to start with the region.” Interestingly, he noted that he came to this realization around the time, when stationed in Laos, there was a Thai artillery blast near his hotel. It was amidst this short border skirmish between Thailand and Laos that Mr. Morita facilitated a deal for Thailand to not only continue but to increase its purchase of Laos’ hydroelectric power. That Laos did not cut off its power supply to Thailand during the conflict, and both sides agreed to increase production and purchase of electricity in its aftermath was, according to Mr. Morita has received various awards for his efforts, including Cambodia’s highest medal, Sahametrei, as well as being appointed as a Senior Adviser to the Supreme National Economic Council in 2002. He retired from the ADB in 1997 but is still active in the GMS in different capacities. Prior to Cambodia’s approving the GMS process in the early 1990s Mr. Morita was working with the ADB’s approval but outside of official capacities when shoring up support for the project.

\(^4\) The geo-politics and geo-economics of the economic corridors is, however, another central factor to consider (see Chapter 5). The ADB, Japan and China, not to mention GMS member states, have significant interests in the sub-region as a political and economic space.
Morita, the turning point of establishing the GMS. In other words, he proved that despite the military conflict the two countries could nevertheless cooperate economically. Mr. Morita said that Cambodia was the final country to be brought into the GMS and this was possible after the Paris Peace Accord in 1990. He explained the Thai-Lao case to the new government, including leaders such as Hun Sen, who agreed to participate.

In the course of the interview he reiterated that the “roads, electricity etc [of the GMS] is minor,” and that “money later came [to the GMS] from Japan, and this you can count, but what you cannot count is the common value and culture [of the GMS].”

Addressing what he and others consider the common values and culture of the GMS is a topic I do not address. I contend that one must focus attention on the multiple parts that comprise the sub-region to understand it, with the ADB clearly a central component. However, rather than read the GMS solely through ADB initiatives, the focus is equally the interests of transnational corporations, power struggles of state authorities and the aspirations of workers and labor organizations. This approach pries open the highly complex tensions among these different social forces. I do this primarily through two ‘border growth nodes’ in the GMS, Bavet, Cambodia and Mae Sot, Thailand. I find these two places to be critical components of the terrain in which emerging sub-regional contestations can be understood.

Mae Sot is on the Thailand-Burma border, and very clearly displays the “kaleidoscopic realities of the border zones” (Tangseefa 2006:406). Mae Sot is unique in that it is a global center for the Burmese dissident movement (the ‘8-8-88 generation’), is home to large populations of Burmese migrant workers and refugees, and is the busiest

---

6 Glassman (2010) contends that ADB officials have gone to great lengths to distance themselves from GMS formation, echoing Noritada Morita’s claim in the interview.
Thai-Burma trading point with a long history on trade routes. In Mae Sot the cross-border, global, national and local collide and these scales are in many ways obfuscated in struggles over power, social rights, ideology and economic gain. The other is Bavet, on Cambodia’s border with Vietnam. Bavet’s economy is centered on casinos, attracting gamblers from Ho Chi Minh City, and emerging border special economic zones (SEZ) set up to tap into cheaper supplies of electricity and better infrastructure in Vietnam. Five SEZs have been approved in Bavet since December 2005. Bavet and Chantrea district have been deeply embroiled in wars and conflicts during the US-Vietnam war era and the Khmer Rouge-Vietnam war. Since the 1990s this area has been a focal point of Cambodian contentions that Vietnam is attempting to “swallow up” Khmer territory. With border SEZs the ruling Cambodian People’s Party is able to demonstrate both material and discursive re-territorialization of this troubled area.

The two border areas are very different and I approach each from varying perspectives that build an understanding of broader sub-regional dynamics. For instance, the first factories began operation in Bavet in 2006, and in 2009 there were only 10. Mae Sot factories first opened in the mid-1990s and in 2009 there were roughly 400. In general terms, the Mae Sot economy is relatively developed while Bavet is only just emerging. In Mae Sot provincial business interests, local state officials and Mae Sot-based labor organizations are better situated to project their interests on the national and sub-regional scales. In Bavet it is the combination of central state, national/regional scale business interests and sub-regional development projects that come to define changes taking place.
Mae Sot and Globalized Garments

Mae Sot is a rising industrial center for the textile and garment industry in Thailand. It is a well established manufacturing area; in fact it is the most industrialized border city in the GMS. In Mae Sot tens of thousands of Burmese migrant workers are employed on highly flexible work ‘contracts.’ Mae Sot is home to large gem and jewelry markets, where Burmese traders sell their goods. It is also the de-facto headquarters of the Karen National Union, a ‘government’ in exile whose army has waged a 60 year war for independence or greater autonomy from Burma. In addition to these populations, the Mae Sot area is host to tens of thousands of refugees fleeing fighting and a wide variety of human rights abuses in Burma. Refugees live in relative isolation in border camps and are not able to move freely in and out of the camps. Furthermore, Mae Sot is arguably the nerve center of Burmese dissidents and democracy advocates in exile (see Figure 5). A wide array of organizations base their operations in Mae Sot, including those focusing on political prisoners, human rights, women’s issues, labor rights, a National League for Democracy Office, monks in exile in addition to many others.

Mae Sot is a border district in Tak Province, roughly 500km northwest of Bangkok (See Figure 6). It sits across the Moei River from Myawaddy, Burma. The two towns are connected by the ‘Thai-Burma Friendship Bridge’, completed in 1997, funded by the Thai government. Mae Sot-Myawaddy lies on the ADB’s East-West Economic Corridor, connecting central Vietnam with coastal Burma. Private and public sector actors in Mae Sot have mobilized ADB GMS programs, particularly physical infrastructure, to boost the competitiveness of the cross-border economy. As addressed
in more depth in Chapter 7, the discursive element of the East-West Corridor has been prominent in promoting Mae Sot as a hub.

Figure 5: A typical office in Mae Sot with a photo of Daw Aung San Suu Kyi; and a Burmese market in Mae Sot, Thailand

Photos: Geoff Thant

There are nine districts in Tak Province. The five border districts Mae Sot, Mae Ramat, Phrop Phra, Um Phang and Tha Song Yang are host to some 150,000 migrant workers from Burma, according to the Mae Sot Department of Labor Protection (LPD) (Interview, June 20, 2008) (See Figure 7); other informal estimates put the number at 200,000. The distribution of these workers is roughly 40:40:20 in industry, agriculture and domestic work/services. Of the five border districts Mae Sot is the economic center. Mae Sot is also the economic center of Tak Province, although Meuang Tak (City of Tak) is the provincial capital. Mae Sot is both a municipality and a district, with a population

---

7 For several years civic and business leaders in Mae Sot and the 5 border districts have been lobbying the central government for provincial status. This is unlikely to proceed (Arnold 2007; Pitch 2007). They have recently introduced an initiative for special administrative status, like Bangkok and Pattaya (see Chapter 7).
of 46,341 in the (urban) municipality and 70,966 in rural areas. To this number must be added migrant workers (both registered and un-registered), illegal immigrants, and displaced persons in the two major refugee camps in the border regions of Tak Province. Combined, these populations from Burma constitute the majority of the actual population of Mae Sot and may also constitute a majority of the total population of the five border districts. There are 80,000-100,000 workers employed in Mae Sot municipality/district;
between 60,000-80,000 of these are employed in knitting and garment firms. Of the total migrant population in Mae Sot in 2008, roughly 25,000 are ‘legal’ registered migrant workers, a factor that has significance for the kinds of management regime to which workers are subjected (see Chapter 3).

**Figure 7: Map of Mae Sot and Myawaddy**

![Map of Mae Sot and Myawaddy](source: Human Rights Watch (2010a))

**Cambodia: Border Industrialization and Bavet**

Bavet is emerging as one of Cambodia’s key border industrial towns. Five of twenty-one SEZs approved in Cambodia are in Bavet. The first factories started

---

8 There are garment firms in Mae Ramad and Phrob Phra, yet throughout this dissertation I refer to Mae Sot since it is the center of production.
operations in 2006, as of 2009 there were 10 factories in two Bavet SEZs employing roughly 4,000. They get their raw materials from Vietnam, largely in transit from China and Taiwan and export overseas through HCMC (ADB 2008b). Three additional SEZs in Bavet are under construction. Bavet is considered one of the most important border nodes in the GMS framework due primarily to its location on the highway connecting Ho Chi Minh City and Phnom Penh, and further afield to Bangkok (Ishida 2008). Together this comprises the ADB’s Southern Economic Corridor. Bavet is roughly 65km from Ho Chi Minh City and 160km from Phnom Penh. The highway connecting these two cities was the first project implemented under the ADB’s GMS program in 1998 (road renovation; the second project implemented was the East-West Corridor).

Bavet is in Svay Rieng province and is situated in the south-east of the country. It is a small city with a population of roughly 3,000. After completion of the Phnom Penh-Ho Chi Minh City Highway the population of Bavet increased by 70% (ADB 2008b). The provincial capital, also called Svay Rieng, is about 125 km from Phnom Penh and roughly 40km from Bavet. The province has a total land area of 296,640 ha, comprising mostly flat plains. It is divided into seven districts, 80 communes and 690 villages (Chieng 2007). Svay Rieng has a total population of 536,963 people or 111,611 families (Chieng 2007). Ninety percent of them rely on farming for their livelihoods.

Svay Rieng is bordered by Vietnam for 258 km and has five important border gates: the Bavet international border gate, the Prey Voa bilateral border gate, and three border crossings at Bos Mon, Sre Baraing and Samraong (ibid). Bavet is the major ‘legal’ international checkpoint between Cambodia and Vietnam. One informant from a Cambodian shipping company said that a majority of trade between Cambodia-Vietnam
is ‘smuggling’ that takes place at a border in Kompong Cham province (interview, Phnom Penh, November 14, 2009).

37.8% of Svay Rieng province’s population are 14 years old or under, compared to 49% nationally. 95.5% of the population are own account workers or unpaid family workers; only 4.5% are paid employees. Of this 91.3% work in the primary sector, 1.2% in secondary sector, and 7.5% in tertiary sector. 0.0% males are considered employers, and 0.1% of females are employers. (National Institute of Statistics 2004).

**Figure 8: Cambodia Map Highlighting Svay Rieng Province**

Source: [http://en.wikipedia.org/wiki/File:Cambodia_Svay_Rieng_locator_Figure.svg](http://en.wikipedia.org/wiki/File:Cambodia_Svay_Rieng_locator_Figure.svg) (last accessed July 17, 2010)
Internal migration rates are very high in Svay Rieng. About 35% of the provincial population are considered migrants. 94% are internal migrants, and 4% migrate internationally. 39% were migrants in the province of enumeration and 29% had moved from a village in the same district of enumeration. About 55% of total migrants had moved to different provinces in Cambodia. 85% of migrants are rural-rural; 6% urban-rural; 5% urban-urban and 4% rural to urban. The most commonly cited reason for migration is repatriation or return after displacement (41.8%), or resettlement after the wars. The next most common reason for migration is the family moved 29.6% and
marriage at 18.1%. More men move due to repatriation and marriage, and more women migrate because the family moved. (National Institute of Statistics 2004).

Education levels in Cambodia are alarmingly low, though Svay Rieng province fares slightly better than national averages. 19.1% of the Svay Rieng province are illiterate, with 27.6% of women illiterate compared to 9.6% for males. National averages are 26.4% illiteracy, with 35.9% female illiteracy and 15.3% for males. 89% of Svay Rieng’s population did not complete primary or completed primary education (65% and 24% respectively). This is higher than national averages of 82%.

_Bavet Economy_

Like much of Cambodia, Svay Rieng’s economy is agrarian. The factory workers interviewed in Bavet during fieldwork all come from farming families, as do a significant proportion of all garment workers in Cambodia. There are attempts to diversify the economy in Svay Rieng, particularly through emerging border activities in Bavet. A prominent example is casinos. Bavet is host to eight casinos within walking distance of the border checkpoint (see Figure 10). There are 32 licensed casinos in Cambodia, mostly in Poipet on the Thai border and along the Vietnam border. The casino hotels are roughly 3-4 star range accommodation, and cater primarily to Vietnamese gamblers. Technically, it is illegal for Cambodian citizens to enter casinos with the exception of casino staff. The casinos are primarily owned by Chinese from Macau and mainland China. The town comprises a single, two-lane road that begins at the border checkpoint and ends a few kilometers before reaching the SEZs (see Figure 11). There are several small scale guest houses and restaurants along the road serving budget gamblers (and
researchers among others). Most guest houses are Vietnamese owned, as are several restaurants in town. In the guest houses Vietnam Dong (VND) is the preferred currency, and VND and Cambodia Riel are accepted in the restaurants. In the casinos US dollars and VND are accepted. This is a common practice in Cambodia’s border towns—on the Thailand border the Thai baht is the preferred currency, while in the majority of Cambodia the US dollar is most commonly used.

**Figure 10: A Bavet casino**

Photo: Dennis Arnold

In many ways Bavet is attractive to Vietnam-based business, whether manufacturers or those in service industries. It is, as Peter Brimble noted, basically a Vietnamese community (interview November 7, 2009). This is, of course, a very sensitive issue in Cambodia (see Chapter 6). Bavet, unlike Mae Sot, has no NGOs or other civil society organization active. Adhoc, a prominent human rights NGO in Cambodia, has an office in the provincial capital of Svay Rieng. Thus, while Mae Sot is a globally prominent center of Burmese activists, attracting a wide range of researchers,
reporters, NGOs, activists and government officials, Bavet has virtually none of this taking place. There are two trade unions with very small membership in the SEZs in Bavet, but as discussed more fully in Chapter 3, it is difficult for Phnom Penh-based unions to service their members at the border.

**Figure 11: Bavet and Highway 1 connecting Phnom Penh and Ho Chi Minh City**

![Bavet and Highway 1 connecting Phnom Penh and Ho Chi Minh City](image)

Photo: Dennis Arnold

Bavet is different from many border industrial towns. In Mae Sot, for example, there is a clear labor cost advantage as employers take advantage of Burmese moving across the border. In the case of Maquiladoras on the US-Mexico border, industrial zones in Indonesia near neighboring Singapore and Malaysia, and China’s coastal SEZs in the vicinity of Hong Kong and Taiwan there is also a very pronounced differential in labor costs. Cambodia and Vietnam, however, have roughly equal wage rates, and productivity is higher in Vietnam and it is generally a far more competitive manufacturing base than Cambodia in most facets of a capitalist economy.
Literature Review and Conceptual Framework

Throughout the process of creating a GMS geo-economy there has been increased interest in the development potential of border areas. This does not entail a simple binary between the retreat or decline of state regulation and its expansion. As a result, the dissertation does not provide a picture of powerful transnational corporations and international lending agencies making demands readily met by an eviscerated state. Instead, I present cases of states restructuring and adapting to regional and global forces in which administrative agencies, new governmental actors, and emergent discourses along the border are articulated with broader regional and trans-national development strategies. By focusing on the sub-national scale I highlight a state that is not monolithic and globalized capital that—while undoubtedly footloose for the most part—is also deeply layered in the concrete specificities of an emerging border space.

This dissertation conceptualizes the borders that demarcate nation-states as a complex network of social relations which can extend well beyond national borders (Perkmann and Sum 2002, Pickles 2004, 2006). In doing so it takes nation-states and national societies as one of several scales on which changes are occurring and examines their articulation with other scales, including those on which cross-border activities and institutions are developing. This entails recognition of the paradigm shift that privileges the multiplicity of scales on which social interaction takes place and the complexity of the interrelation among these scales (Perkmann and Sum 2002). The convergence of regionalization and globalization are articulated in these spaces conducive to mobile capital and investment that, on the one hand, straddle and blur national boundaries, and
on the other re-define and reify borders, particularly in terms of flows of labor. Within this framework local, national, regional and international actors are creating spaces conducive to domestic and foreign direct investment to secure footholds in national and international markets.

There are objective limits to economic globalization due to capital’s need not only to disembend economic relations from their old social integument but also to re-embed them into new supportive social relations (Jessop and Sum, 2006). Economic globalization is a contradictory phenomenon that necessarily produces smooth spaces conducive to the circulation of capital, goods and labor, and a reinvigorated importance of place, as profitable investment destinations and sourcing locations are not equal. It is in this realm that states are particularly important. States provide an important facilitative role for capital, but they also must assuage the excesses of globalization to maintain social cohesion and political legitimacy.  

A fundamental assumption of this project is that capitalism is a political economic system whose own contours are not unitary or rigid (Rajan 2006). Rather, capitalism is mutable and multiple, and full of metamorphoses and upheavals, which are local and global, technical and spatial, cultural and economic (Watts 1992). In other words, the implications of capitalist expansion and deepening in the GMS cannot be assumed, nor can the composition of forms of participation in and/or resistance against it.

I conceptualize changing labor regulation in the GMS through the ‘global factory.’ Labor in the ‘global factory’ is generally conceptualized as social labor to

---

9 Politically, collective action problems occur in the conflict between the state’s economic functions (especially for securing certain conditions for the valorization of capital and the social reproduction of labor power) and its overall political responsibility for maintaining social cohesion in a socially divided, pluralistic social formation (Jessop and Sum).
describe the contemporary condition under which the whole of society is permeated with the rule of value-producing capitalist labor (Hardt and Negri 1994, 2001). Labor in the global factory is necessarily flexible, mobile, informalized or precarious and ready to adjust to the whims of capital. Capitalist labor is becoming the common substance to peoples’ livelihoods, but this does not create the basis for unified or united responses from workers (Chang 2009). For instance, divisions along lines of nationality and race often become more pronounced, including the ‘3D’ work of migrants vs. the work of nationals employed in these same industries. There are also divisions among workers in the formal and informal economies. ‘Factory labor’ describes the partial domination of capital over social relations through the imposition of capitalist labor in the immediate labor process (Chang 2009). Throughout the dissertation I focus primarily on feminized and migrant factory workers, but do not consider ‘factory labor’ an ideal form of labor through which wage and other laborers engage in struggles. This presents challenges to how organizing initiatives are conceptualized, particularly in contexts where ‘factory labor’ is a fairly new kind of labor that is the primary focus of emerging trade unions and workers’ associations.

*Geographies of Globalization & Global Production Networks*

In the past three decades, a major transformation has occurred in the global economy as supply chains originating in ‘core economies’ have further expanded their sourcing networks into new frontier regions of production across East and Southeast Asia. This expansion has been achieved, in part, by the opening of closed and partially closed economies and the expanded labor pools they represent. One central element and
consequence of this ‘opening’ has been the expansion of geographical circuits of labor recruitment and migration, the attendant migration of millions of workers across large distances to work in export processing zones and urban areas including coastal China, Ho Chi Minh City and Hanoi, Yangon and Phnom Penh. ¹⁰ A second phase in the re-organization of these geographies of production is now occurring on a national scale with China’s new regional economic policies, the establishment of special economic zones (SEZ) in rural Cambodia, and expanding industrial areas along Thailand’s borders with Burma, Lao PDR, and Cambodia. This second overlapping and interdependent phase of restructuring entails the creation of new forms of regional production networks organized around decentralized and border economies aimed largely at export markets, with new mechanisms of governance and regulation to deal with the mobile, often transnational, workforces on which they depend.

Efforts to build cross border regionalism in the Greater Mekong Sub-region, formally inaugurated in 1992, have coincided with major turning points in the global economy. The opening and growth of China as a major producer for world markets and the rapid expansion of the SEZs located in Southern China have been particularly important. Between 1979 and the early 1990s, large capital investments flowed into the coastal regions of China from Hong Kong and Taiwan, resulting in an unprecedented expansion of productive capacity across the Pearl and Yangtze River Deltas. The consequence was the development of continental scale production networks increasingly

¹⁰ Authors in Gainsborough (2009) offer compelling questions and analysis on the extent to which cross-border flows have risen from behind formerly ‘closed’ borders in the GMS. They varyingly contend that the discourse of ‘opening up’ distorts notions of how it was in pre- and post-colonial eras, and before and after the end of the Cold War.
dependent on the ability to mobilize and marshal massive migrant labor flows of young, primarily female, workers from the countryside and provinces.

In newly industrializing economies in Asia and Latin America, transnational corporations accelerated outsourcing of lower cost production globally (Dicken 2003; Gereffi 2005). One result was an expansion of infrastructural projects that were also dependent on large-scale labor migration, but that generated enormous tensions in local economies over the consequences of economic integration and the social transformations in the resulting labor markets (Harvey 2003). These tensions emerged particularly clearly in China’s new industrial export economy. The ‘China price’ – the lowest price possible – has been possible only because of low-cost labor migrations into the Yangtze and Pearl River Deltas, but their effects have recently rebounded in ways that now threaten to destabilize social and economic conditions across these regional production centers. As a result, China has now embarked on a triple policy to weaken its dependence on the ‘China price’ and reduce the dependence of regional economies on migrant labor flows. (i) Low-wage assembly industries are being encouraged through subsidies, contracts, and infrastructural development to relocate or expand in Western and Northern Provinces from which migrant workers have traditionally been drawn (‘go-West’). (ii) Low-wage assembly work is also being outsourced to low-cost producing centers in southeastern Asia, particularly under the auspices of emerging large-scale Chinese manufacturers and network organizers (‘go-out’). And (iii) Chinese manufacturers are being encouraged to upgrade production and working conditions with the goal of branding Chinese goods for national and even international markets (‘go-up’).
Each of these strategies responds to what David Harvey (2003:109) describes as “…a condition of surpluses of labor… and surpluses of capital… Such surpluses can be potentially absorbed by (a) temporal displacement through investment in the long-term capital projects or social expenditures (such as education and research) that defer the re-entry of capital values into circulation into the future, (b) spatial displacements through opening up new markets, new production capacities, and new resource, social, and labor possibilities elsewhere, or (c) some combination of (a) and (b)”. In Southeast and East Asia such capital logics have produced regionally articulated economic and labor landscapes. Comparatively low-cost large-scale export production has boomed in large urban and peri-urban factory zones. These export platforms, once the main sites of workplace abuses, are increasingly regulated through central state institutions and international contractors, but are still problematic in terms of meeting minimum standards of health, safety, wages, and benefits. As a result, in the larger urban producing centers in China, Thailand, and Vietnam competitive pressures, state regulation, worker demands and other factors have led to upward pressure on wages and benefits, along with changes in work and working conditions.\footnote{On changing labor relations in China and Vietnam see Lee (2007); Clarke (2006); and Ngoc Tran (2007).}

In rural and border areas, cost-minimizing, de-regulated, and flexibly organized industrialization has expanded through the agencies of state and private-sector-supported SEZs and industrial areas. Geared to deepening competitiveness by extending export production to low-wage border areas, border industrialization programs across Southeast Asia are built with the explicit nominal intent of distributing the economic benefits of export production across the regions. To do this, they depend on the management of
‘surplus’ and low-cost rural workers and their employment in lower-value assembly work. This places competitive pressure on any gains in work conditions and wages in urban and peri-urban areas. The key general thrust of such a capital logic is that new territories “should be continuously opened up” (Harvey 2003:139) leading to “accelerated and expanded … accumulation [and] ending communal control of the means of subsistence, seizing land for debt, creating new mobile and migrant reservoir of labor power, destroying non-market social systems and imposing ecological predations…” (Dyer-Witheford 2002:6 citing Midnight Notes). In the next section, I turn to the significance of cross-border regionalism within the context of these global factories.

Sub-Regional Integration and Border Growth Strategies

Throughout the GMS specific border and cross-border zones once seen as territorial boundaries for state power and sites of inter-state conflict are now rapidly being re-articulated as functional regions requiring their own structures and practices of governance. Hence, they are emerging geo-economic regions requiring their own structures and practices of governance.

Industrial development and more recent foreign direct investment in the GMS have been concentrated in a few favored large urban centers such as Bangkok, Phnom Penh and Ho Chi Minh City. At the national and sub-regional level, investors have also heavily favored urban nodes in Thailand and Vietnam over those Laos, Burma and Cambodia, in turn deepening inter-regional inequalities. With competition intensifying

---

12 Large scale industrial development in Asean has been limited to a few areas. For example, Kuala Lumpur, Selangor, Johor and Penang in Malaysia, the Eastern Seaboard Area of Thailand (Chonburi and Rayong), and Bangkok and its neighboring prefectures (Ayutthaya, Pathumthani and Samutprakarn), Jabotabek (Jakarta, Bogor, Tangerang and Bekasi) area in Indonesia, and neighboring areas of Manila.
in both low-cost labor intensive export-oriented and high-tech capital intensive sectors, GMS countries have initiated cooperative regional and trans-national policies aimed at more fully integrating these rural spaces into the regional and global economy. The primary driver is seen to be foreign direct investment (FDI) from the broader Asia region, in many cases ‘go-out’ capital from China. These cross-border regional policies and initiatives have moved beyond a focus on industrial decentralization and sustainable urbanization prevalent in Thailand since the 1960s (Charoenloet 2002; Glassman 2003; Glassman and Sneddon 2003) in efforts to boost competitiveness with other countries including China, while concurrently offering incentives for investment from China and other competitors.13

In this process, state and multi-lateral organization policies play an enormous role in shaping the geographical patterns of investment and social regulation. In many cross border areas, sub-regional and international intergovernmental organizations have played key roles in implementing projects that promote cross-border economic activity. These involve public and/or public supranational, national and/or sub-national agencies naming and Figure ping new types of space as sites of economic change and political ambition (Pitch 2007). These are not regions in the conventional juridico-political sense, as is the case with the EU, and they are not governed in a conventional, territorial sense. They are neither formal administrative units subordinate to a national state bureaucracy nor do they

(Cavite and Laguna) in the Philippines (Ishida 2008). In more recent years the industrialization of Ho Chi Minh City and Hanoi can be added to this list. These industrial areas have a few common characteristics (Ishida 2008): The distance from a port or harbor is relatively short, and the procurement of the labor force is easy or the population is relatively large. In addition, these areas have benefited from development of infrastructure such as highways, electricity, and water for industrial use. Finally, tax incentives were given to companies that invested in these areas.

13 For example, China is deemed to be the primary threat to Cambodia’s textile and garment industry, but in 2006 China was by far Cambodia’s largest investor with $763 million in fixed assets approved (Russia 2nd at $278 million, Thailand 3rd at $102 million (IMF 2007)).
have mechanisms that allow for building popular support. Instead, they are governed through partial and irregular networks operating at a variety of scales (Perkmann and Sum 2002). Some of these networks emerged in response to the failures of central state authorities, with local and regional actors exploiting the new opportunity structures created by regionalization and globalization. Many emerged largely as a result of financial development incentives, for instance those coordinated by the Asian Development Bank in the GMS. In other locations cross-border regions are effectively constituted by a complex array of economic and social interactions. These are generated by local, national and/or regional networks, including state actors, but are largely unaccompanied by large-scale collective coordination and intervention by the central state. In fact, typically, governmental cooperation is fragmented and limited in scope. For instance, the GMS is emerging as a cross-border region despite several instances of tension over border demarcation, most recently leading to military skirmishes at the Preah Vihear Temple on the Thailand-Cambodia border. These and other factors limit the scope of centrally coordinated sub-regional integration.

Instead of a withering or withdrawal of direct involvement of the state in the “borderless world” (Ohmae 2005), the border is increasingly becoming the site in which these new articulations of investment and spatial administration are emerging. Where regional integration initiatives are related to inter-governmental projects, national governments are still dominant in defining the basic parameters of the border regimes. But, even in these contexts of strong central state action where national governments may create the initial conditions for the development of cross-border regions, both central and local governments and diverse state agencies, in many cases linked to major domestic
business interests, often re-interpret policies for their own economic benefit. In both cases, complex structures of state administration are emerging at the border to regulate mobile populations and create new spatial and social imaginaries to do so (Pitch 2007). Throughout the Mekong sub-region, specific border zones once seen as territorial boundaries for state power and sites of inter-state conflict are now rapidly being re-articulated as functional regions requiring their own structures and practices of governance.

In fact, if one leaves behind the assumption of market self-regulation under the ADB’s GMS, regional integration becomes more appropriately represented as a process by which a new regulatory regime emerges offering new opportunities for profit and power (Hughes 2011). Hughes also contends that “the activities of both state and private actors – and state actors acting in a private capacity – on these borders indicates both their sophisticated appreciation of this, and the level of contestation which their efforts to gain a share of the spoils entails” (Hughes 2011:forthcoming).

State Practices

The expansion of export production in border areas has occurred in conjunction with a deep re-territorialization of the nation state in order to accommodate and attract capital, enhance the competitiveness of producers, and manage labor by spatial means. The result is that institutions of national-cross-border governance and development infrastructure have emerged in ways that combine authoritarian and liberal economic features to manage the ways in which different production systems are able to compete in the global economy.
The political and economic processes building border economies in the GMS over the past 10-15 years shed light on the politics of scale and the ways in which states do and do not seek to link territories and citizens with the political dynamics, economic systems, labor and natural resources of neighboring countries (Walker 2009). Doing so demonstrates a great deal about the territorial diversity and flexibility of state practices in the sub-region, including intra- and inter-state debates or power struggles on these policies, and its coupled integration with labor and regional trade and production networks. One consequence of this analysis of economic and social restructuring is that it defies any easy designation as neoliberal space, as the product of a strong or weak state, or as an export-processing island driven by the needs of global production networks. Instead, the case studies demonstrate that the politics of scale plays out in important ways, particularly for populations of workers from Burma and Cambodia.

It has been argued that the expansion of the global economy has demonstrated a governance deficit and has shown inadequacies in earlier theoretical paradigms, especially those grounded in the dominant conceptual trinity of market, state and civil society (Jessop and Sum 2006). This has generated questions about the possibilities for states to regulate the practices of participants in global production networks. Several studies have critically engaged the role of states in the cross-border strategy emerging in the Indonesia-Malaysia-Singapore Growth Triangle, and these have tended to focus on the broader implications for how neoliberalism is conceptualized (Ong 2000; Sidaway 2007; Sparke et al 2004; see also Ong 2008; Sparke 2002; Walker 2009). These studies have suggested that the ‘Growth Triangle’ is not so much a question of market versus state, or a transition “from state to market”, but that the creation of markets is occurring
in settings where the state is sometimes very strong while in other areas it is nearly absent, creating a spatial variability in state powers and ‘reach’ that is useful in maintaining flexibility for capital (Ong 2000; 2008).

In the GMS border SEZs I find a slightly different arrangement, where the state plays a very prominent role in the zones as well.\(^{14}\) I contend that neoliberal practice in the GMS moves to reinforce and expand the state as a strong and autonomous subject that dominates the social field in realms including labor regimes and police activity (Hardt and Negri 1994). In Chapters 6 and 7 I find the Thai and Cambodian states to be the most powerful actors impeding or facilitating the formation of border SEZs. This is a clear shift in the case of Cambodia, a state that lacked autonomy in the social and economic fields in the 1980s-1990s (see Chapter 2). These state insertions are largely due to the recognition that border SEZs provide important means for national economies to be favorably inserted into the emerging sub-regional and global economy, but that very insertion can fragment national economies and societies and create alternative foci of political legitimacy (Jessop and Sum 2006). It is for this and other reasons that the reach of the state is so extensive.

**Outlining the Chapters**

Chapter 2, “Low-cost Sourcing in the GMS: Comparing Policies in Cambodia and Thailand.” This chapter focuses on two key issues in Cambodia’s and Thailand’s light manufacturing industries. In the case of Thailand it is the ability to combine at the border

\(^{14}\) See also Gainsborough (2007, 2009) for analysis on the provincial state in globalizing Vietnam. Oehlers 2006 provides critiques of ADB policies towards the GMS.
one of the lowest cost workforces in the region with relatively advanced logistics services and inputs for garment assembly. In Cambodia it is rather more straightforward, the lack of competitiveness on cost, quality and speed to market are key factors driving border industrialization initiatives. The other focus in the chapter is labor in these two countries. In many respects Cambodia/Bavet and Thailand/Mae Sot are opposites. Cambodia is promoted globally as an “ethical producer” and “model of fair globalization” due largely to an International Labour Organization (ILO) factory monitoring that began in 2001. Mae Sot, on the other hand, is one of, if not the most notorious havens for poor labor practices in Southeast Asia. However, Cambodia’s labor monitoring program is losing its luster as a policy governing labor relations. In this context border economies are part of broader trends that privilege productivity, factor costs and flexibility over “fair globalization” initiatives. Border areas are critical aspects of the pattern to embed low-value, low-skill and low-productivity production networks and informalized labor relations in the national and sub-regional economy.

Chapter 3, “Policing Migrants and ‘Better Factories’: Informalizing labor in Global Production Networks.” The focus of this chapter is different institutions and governance practices embedding and enabling the informalization of labor. These processes are unevenly established in different national and sub-national contexts. I set out to deepen analysis of one aspect of the labor regime in Thailand (Mae Sot) and Cambodia (Bavet), the state regulation of labor in terms of legislation on contracts, wages, collective bargaining, freedom of association and the like. In particular, the focus is the implementation of informalized labor practices in Thailand and Cambodia.

15 I will not address another key aspect of Buroway’s labor regime, the social reproduction of labor power.
While the two cases demonstrate certain trends in managing labor, they are not homogenized efforts on the part of states and capital. Accordingly, there is no single response from workers and labor organizers. A result is different working classes that are neither pure combative nor pure passive dispersal, or a pure institutionalized apparatus (Lee C K 2007).

This chapter analyzes the context for Burmese migrant workers and labor organizers in Mae Sot. A central aspect is a broader state project in which migrant workers are racialized and their civic rights are peripheralized through the construction of a distinct policing regime of ‘partial border citizenship.’ This means, in short, that the state, particularly the police, national security agencies, and border guards work together to regulate nearly every aspect of migrant workers’ lives to create and sustain the conditions for a regime of flexible and informalized labor that enables labor intensive industries to survive in the region.

The implementation of fixed duration contracts (FDC) in Cambodia is an example of the state’s insertion in the social realm of labor regulation once defined by the ILO regulated tri-partite model in the garment industry. The shift to FDCs, casualization, precarity etc follows trends throughout Asia, but is significant in Cambodia given the global prominence and ‘branding’ of the ILO’s efforts to create a model of ‘fair globalization.’ Informalization is a part of neoliberal practice in the GMS which moves to reinforce and expand the state as a strong and autonomous subject that dominates the social field in realms including labor regimes and police activity (Hardt and Negri 1994).

16 Both are deeply impacted by social and political histories of anti-modernism in Cambodia under the Khmer Rouge and the ensuing socialist era of the 1980s, and isolationism and self-sufficiency ‘socialism’ of Burma from 1962-1988 and the ongoing dictatorship.
Chapter 4, “The China Ripple Effect and Globalized Production in GMS Borderlands.” I focus the chapter on two manufacturing corporations’ Asian sourcing strategies, Top Form in Mae Sot and Kingmaker in Bavet. Top Form is the world’s largest manufacturers of brassieres, and Kingmaker is one of the world’s leading manufacturers of relatively high end branded footwear. A complex set of relations are factored into manufacturers sourcing strategies. China remains the manufacturing base for two major corporations in garments and footwear and this is certainly the case for most producers in these sectors. Production networks of these companies are deeply intertwined with US/EU-China trade frictions, changes in production costs in coastal China, and the trend in ‘China+1(+1)’ sourcing strategies. Equally important, this chapter looks at corporations that are ‘upgrading’ in global production networks, meaning they aim to capture more value in different nodes of the production process, evolving from simple assemblers to designers, brand manufactures, retailers and the like. Despite this ‘upgrading’ both companies continue to rely on surplus/informalized populations in labor abundant regions of Asia. Thus, while offering employment to those in need due to lack of socio-economic opportunities in Burma and Cambodia (i.e. processes associated with primitive accumulation), there is no indication that value chain ‘upgrading’ directly correlates with better work conditions.

The purpose is to demonstrate Mae Sot and Bavet’s links with the region and global production. In doing so it shows capital that is mobile, but embedded in production networks within particular countries. Localities such as Mae Sot and Bavet are competing to attract and maintain such mobile investments, and are being integrated into regionally extended production logics. Previous chapters have demonstrated the
labor regimes deemed necessary for these mobile firms. Going forward, there is another
layered ‘necessity,’ that of SEZs to ‘capture’ producers who deem Thailand-Cambodia
production sites as largely auxiliary to China-based production.

Chapter 5, “Economic Corridors, SEZs and Border Development Nodes.” In this
and the following chapter I put forward a state, Cambodia, that is highly flexible, rather
than strong or weak. It is a case of a flexible state restructuring and adapting to regional
and global forces in which regional agencies, new governmental actors, and emergent
discourses are articulated with broader regional and trans-national development
strategies. In particular, the ADB’s Economic Corridors are a new spatial practice that is
a manifestation of the GMS Project’s central discourse of the Three Cs: connectivity,
competitiveness and community. To tap into this framework the Cambodian state has
created new government agencies, the Cambodia Special Economic Zone Board, and
‘One Stop Service Centers’ in each of the new SEZs. It has also agreed on a bi-lateral
transport agreement with Vietnam for shipping between Ho Chi Minh City and the Bavet
SEZs. In the process firms including Kingmaker have initiated production and export
from one of these border SEZs, thus connecting Cambodia with the new Asia regional
division of labor identified in earlier chapters.

On the surface it appears that Cambodia is following global SEZ trends. Almost
all SEZs in Cambodia are privately developed and they offer one-stop services to reduce
bureaucratic and other state inefficiencies. By locating near Vietnam and Thailand they
address the problems of high electricity and logistics costs. Furthermore, they offer an
environment where employers implement a new spatial regulation of labor. Broadly
speaking, the Cambodian state facilitating the expansion of sub-regional and globalized production.

Chapter 6, “Activating the Borderlands: Public-private dynamics of SEZs in Cambodia.” Throughout the GMS specific border and cross-border zones once seen as territorial boundaries for state power and sites of inter-state conflict are now rapidly being re-articulated as functional regions requiring their own structures and practices of governance. Cambodia’s recent history of border-based insurgencies and political opposition meant it was not in the interests of the central governments to allow border regions to gain economic autonomy, and this is still the case in the late 2000s. The consolidation of the CPP’s power between 2001 and 2008 is, in no small part, a critical component of the push to industrialize the borderlands. In this chapter I argue that border SEZs represent a new regulatory regime offering new opportunities for profit and power. It is a process wherein the state is often acting in a private capacity and the private sector in a state capacity, and both are more deeply engaging the industrial economy, perhaps for the first time in Cambodia’s history. The result is that institutions of national-cross-border governance and development infrastructure have emerged in ways that combine authoritarian political and liberal economic features to manage the ways in which different production systems are able to compete in the global economy.

Greater co-operation between national elites may contribute to lessening the specter of inter-state war, and the superpower-fuelled carnage of the Cold War (and Khmer Rouge) era are becoming or already are a distant memory (Hughes 2011). But, economic development and sub-regional integration has changed the pattern of political contestation in border areas. This suggests that in the short run at least, the
transformative potential of border development projects is limited: outcomes reflect rather than reshape national and regional orders of power (ibid). It also means a newfound role for Cambodia’s elites in border industrialization initiatives. Therefore, SEZs are not a new industrial policy, rather it is part of the political-economic process of further consolidation of power in a few hands.

Chapter 7, “National Security State Capital and the politics of Scale at the Thai-Burma Border.” The political processes building a border economy in Mae Sot over the past 10-15 years sheds much light on the politics of scale and the ways in which states do and do not seek to link their territories and citizens with the political dynamics, economic systems and natural resources of neighboring countries (Walker 2009). Doing so demonstrates much about the territorial diversity and flexibility of state practices in the sub-region, and how this facilitates certain links with regional and global trade and production networks, while preventing other links. The Mae Sot SEZ initiative, combined with the infrastructure development at Mae Sot, are part of realizations that local autonomy is crucial to promote economic growth in the area. However, these ‘local realizations’ are coupled with fractions of central state officials and national-regional-global business interests, meaning simple local-central binaries obfuscate the important changes underlying these initiatives.

The SEZ proposal has met resistance on the national and local levels for a number of reasons. First, if implemented it would alter Thailand’s constructive engagement policy with Burma by deepening economic and social links at the border. Secondly, the proposal is highly politicized due to its sponsorship and association with the administration of former PM Thaksin. Third, the new spatial administration of the
proposed SEZ would undermine the ‘traditional’ military and police dominance of Thai borders and the hegemonic position of ‘national security state capital’ both at the border and perhaps deeper into Burma.

**Research Questions and Methods**

*Research Design*

This was a qualitative and quantitative mixed methods study. Qualitative methods entailed collection of trade data from governmental and intergovernmental sources. Qualitative methods included semi-structured interviews, focus group discussion and participant observation. Fieldwork for the dissertation was conducted between December 2008 and November 2009. I spent six months in Cambodia, working in Phnom Penh, Bavet and Koh Kong. I was in Thailand for six months collecting data in Bangkok, Chiang Mai, Mae Sot and Sangkhlaburi. I spent considerable time in the ADB’s library in Phnom Penh collecting data. In Cambodia and Thailand I met with 63 different offices of regional and international organizations, government, the private sector, trade unions and non-governmental organizations, as well as individual academics, reporters and activists (for a full list, see Appendix 1). During fieldwork I participated in or led two worker education workshops, and presented at one international conference.

*Approaching the empirical and conceptual issues*

The initial steps on my dissertation began in 2002 through work with a Thailand-based labor NGO, the Thai Labour Campaign. Through them I was engaged in the
formation of an Asia-regional network involving roughly 25 trade unions and labor NGOs from East, Southeast and South Asia. It was coordinated by the Hong Kong-based Asia Monitor Resource Centre. The network formed many of the initial questions guiding my dissertation, and it was through the network that a significant portion of my dissertation fieldwork was possible. A central concern of the networks’ collective efforts was (and still is) how to develop strategies that empower workers by challenging the two primary threats to both livelihoods and trade union organizing (as identified by the network): capital mobility, and neoliberalizing states implementing informalized, casualized, and/or precarious labor regimes. This is, needless to say, a daunting task. My dissertation, while a continuation of these efforts, does not offer suggestions or any form of guidance on how to address these threats. It does, however, offer a way of viewing governance structures and power relations in the subregion. This approach, I hope, helps to identify strategic foci that lead to improvements for many workers in the subregion.

The GMS is the focus of many studies, a majority look at the implications of the ADB’s physical infrastructure projects, emphasizing trade-led development strategies. More recently a body of literature is emerging that, in general terms, takes a more critical approach to GMS development initiatives by focusing on uneven development, state power and violence, denigration of workers’ rights, among numerous other issues (see, among others, Gainsborough (2006 and 2009), Glassman (2010), Hughes (2011), Oehlers (2006), Pitch (2007), Walker (2009)). My dissertation seeks to contribute conceptually and empirically to these and other efforts that challenge practices and policies generating uneven development. In particular, I want to better understand the contexts for workers in border areas and the trade unions/workers associations who seek to protect their socio-
economic interests. This dissertation is organized along the broad contours of four inter-related areas of interest:

1. *Global Economy*: What are the changing political economic contours of global capitalism? How do different scales—local, national, regional, global—interact to create multiple and unique forms?

2. *State/Policy*: How are aspirations to be competitive global free market players discursively and materially articulated in Cambodia and Thailand? How do the political and economic aspects of creating spaces conducive to capital accumulation converge and diverge?

3. *Private Sector*: Why do manufacturers choose to invest in border areas of the Greater Mekong Sub-region? What are the infrastructural and labor regime requirements deemed sufficient to attract and maintain investment?

4. *Labor*: What are the key structural and discursive impediments to promoting workers’ socio-economic rights in border industrial zones of the GMS? What are the different labor regimes and labor politics in the GMS borderlands, and what does this tell us of the changing Asia-regional division of labor?

To answer these questions I engaged a combination of a) geographical interpretations of global production networks, space and political economy; b) Asian studies and understandings of labor movements in Asia; and c) an interdisciplinary ambition to both conceptualize and practice globalization. The dissertation presents a reading of sub-regional articulations with globalization working through theoretical paradigms and practices grounded in the dominant conceptual trinity of capital, state and labor. The dissertation understands capital-state-labor interactions through different contextual projections and they are structurally coupled and coevolving. Throughout I seek to destabilize notions of scalar hierarchy and interests that varyingly seek to engage industry-led development primarily from a macro-economic perspective. Each emerging border space has its own specificities. They are not fixed or permanently defined by any
one capital formation, state practice or labor formation, but are part of open, constantly changing sets of social relations that are layered, mutable and multiple.

Funding Sources and Host Organizations

Funding for the fieldwork comes from the Fulbright-Hays Doctoral Dissertation Research Abroad Program, and the Center for Khmer Studies Dissertation Fellowship. My host organizations were the Office of Human Rights and Social Development, Mahidol University (Thailand), and the Center for Khmer Studies (Cambodia). Pre-dissertation fieldwork was conducted in 2007 with support of the UNC-Chapel Hill Geography Department’s Graduate Student Travel Fund. In 2007 I completed an intensive Thai language course in Bangkok with support of a Title VI FLAS. In 2008 I conducted a one month consultancy for Norwegian Church Aid and Diakonia on Burmese migrant workers’ issues in Thailand. I thank them and the consultancy participants for permission to use data from the study in my dissertation. I collected trade and other data while working as a Graduate Research Assistant on the National Science Foundation-supported project, “The Geographical Consequences of the End of Quota Constrained Trade in the Global Apparel Industry.”
Chapter 2

Low-cost Sourcing in the GMS: Comparing Policies in Cambodia and Thailand

Introduction

Thailand and Cambodia are at very different stages of industrialization processes. Thailand has been one of the world’s leading exporters since the 1980s. For a period of 10 years in the 1980s-1990s it was the world’s fastest growing economy. Industry is quite diverse, with clusters of auto parts producers and auto assemblers, electronics assemblers, chemicals, agro-industry, seafood processing and plantations. Cambodia only began exporting in the mid-1990s, and it is still heavily reliant on a single commodity—garments, for roughly 75% of its export value. Despite these differences, both countries rely heavily on low cost labor for economic growth strategies.

I focus this chapter on two key issues in Cambodia’s and Thailand’s light manufacturing industries. In the case of Thailand it is the ability to combine at the border one of the lowest cost workforces in the region with relatively advanced logistics services and inputs for garment assembly. In Cambodia it is rather more straightforward, the lack of competitiveness on cost, quality and speed to market are key factors driving border industrialization initiatives. The other and related focus of the chapter is labor in these two countries. In many respects Cambodia and Thailand are opposites. Cambodia is promoted globally as an “ethical producer” and “model of fair globalization” due largely to an International Labour Organization (ILO) factory monitoring that began in 2001.
Many parts of Thailand, particularly areas employing large numbers of migrant workers from neighboring Burma, Cambodia and Laos, are among the most notorious havens for poor labor practices in Southeast Asia. In this chapter I focus on one such place, Mae Sot. However, Cambodia’s labor monitoring program is losing its luster as a policy governing labor relations. In this context border economies are part of broader trends that privilege productivity, factor costs and flexibility over “fair globalization” initiatives. This chapter demonstrates that border areas in both countries are critical aspects of the pattern to embed low-value, low-skill and low-productivity production networks and informalized labor relations in the national and sub-regional economy.

**Thailand’s Industrial Structure and Sub-regional Policies**

Pitch (2007) divides Thailand’s spatial economic development policy into three major periods. The first was the urban-growth period that witnessed the centralization of resources into Bangkok from 1960 during the import substitution industrialization phase. The second period initiated in the late 1960s was growth pole driven, facilitating regional development in a new-town style. This was marked by government led public projects in the key regional nodes (such as Chiang Mai and Lampang in the North, Khon Kean and Nakorn Rachasrima in the Northeast, Chonburi in the East, and Songkla in the South). The third period was the establishment of the industrial clusters and infrastructure zones. This policy was first established at the eastern corridor (east of Bangkok from Chonburi to Rayong—the Eastern Seaboard) in the 1980s, when areas boomed under export oriented industrialization polices. The zone was designed to attract industry to utilize the newly found petrochemical source in the Thai gulf and the deep-sea port, Laem
Chaebang. This is currently where nearly all of Thailand’s capital intensive investment is located, including autos, petrochemicals and electronics. A fourth period and more recent period is the targeting of Thailand’s borders and neighboring countries as part of capital accumulation strategies, broadly conceived as cross-border regionalism. This began from the early 1990s and is a central topic of this dissertation. In general the principle behind these four phases is infrastructure-led development planning, in which the government has been the main contributor to the infrastructure investment. Keynesian multiplier effects and private investment were expected to drive growth. To no small extent these infrastructure-led development policies are still prominent in Thailand and the GMS in general under ADB-led cross border development initiatives.

The Thai government outlines three underlying steps for the establishment of the cross border regionalization policy. They are 1) policy and infrastructure development, 2) addressing regional development gaps and 3) re-engineering Thailand’s industrial structure (MFA nd [no-date]-1). The liberalization of border flows in capital and goods is combined with a re-territorialization that aims to limit or contain the flow of migrant workers to core economic zones and cities. The policy and infrastructure development policy mirrors the ADB’s neoclassical economic model for complementarily and comparative advantage of neighboring countries in the sub-region. The contention is that these countries have different comparative advantages in terms of resources and production cost, and the establishment of new manufacturing bases in border areas will bring about mutual and complementary benefits (ADB 2007). In particular, business is said to benefit from transport links, inexpensive raw materials and low labor cost as well as improved and direct market access. In turn, this creates investment opportunities and
markets for goods produced in Thailand or by Thai firms in neighboring countries, including consumer electronics, automobiles, and processed food.

The second step also mirrors the ADB’s project for the GMS, and it seeks to address uneven development in the sub-region, in this case by creating new manufacturing bases to create employment, generate income and ease socio-economic problems (MFA nd-2). In this case border areas are envisioned as incubators of enhanced regional competitiveness in trade, investment and tourism among neighboring countries (MFA nd-1). Thailand’s borders or its ‘frontiers’ have also become increasingly important as destinations for (alleged) ‘sunset industries’ including textile and garment, food processing and other light manufacturing industries, and are a way to maintain competitiveness.

The third step of cross-border initiatives seeks to re-engineer Thailand’s industrial structure. It is expected that the establishment of border economic zones will support central Thailand’s transition from a labor-intensive to a high-tech/capital-intensive industrial base, in part by facilitating the relocation of labor intensive industrial enterprises relying on raw materials from neighboring countries into those partner countries, or to Thai border towns such as Mae Sot.

The broader context for this push to the border is the increasing pressure on Thailand’s labor-intensive sectors. In Thailand, labor intensive industries declined from 20% of exports in 1995 to 10% in 2005, while the same period saw a rapid increase of electronics and automobile manufacturing as Thailand’s economy increasingly diversified (Mounier and Charoenloet 2007). The decision to set up production facilities in border towns, Mae Sot being the most industrialized, is also a reaction to the changing
competitiveness of Thai producers in global markets. From the early to mid-1990s, profit rates for textile and garment and other labor intensive industries declined, manufacturer efforts to upgrade into original design or original brand manufacturing failed, and the hoped-for emergence of regional trading companies managing supply chains for global brands and retailers (as occurred in Taiwan, Hong Kong and Korea) did not materialize. Instead, to maintain competitiveness Thai manufacturers have adopted a series of strategies (Mounier and Charoenloet 2007). They have:

- Downsized operations by laying-off workers, regularly without compensation,
- Informalized labor relations by employing workers on contracts through labor agencies, or by outsourcing production to home-based workers and smaller scale workshops (further entrenching a Thai-precarious workforce in garments),
- Speeded up production processes utilizing various incentives, and
- Relocated to border regions or produce in neighboring countries and export back into Thailand.

Mae Sot and other border zones have, as a result, become important elements in the development of Thailand’s economic strategy of fostering a ‘dual space economy’. The government’s goal is to become a ‘First World’ economy in auto manufacturing, finance, real estate and other high-value sectors dominating Bangkok, the Eastern Seaboard and central regions, sustaining a vibrant middle-class consumer society, while its ‘Third World’ labor intensive industries, including those employing large numbers of migrant workers in textile and garment, seafood processing and other labor intensive industries, continue to expand, absorb investment capital, and provide opportunities to maintain access to highly competitive export markets (see Brown and Hewison 2005).

Thailand’s economic growth depends increasingly on the large-scale influx of migrant workers. There are currently some 3-4 million migrant workers in labor intensive industries such as seafood processing and fisheries, construction, manufacturing
sectors including textile and garment, agriculture and domestic work. They comprise roughly one-tenth of the Thai labor force.¹⁷ Some 2.5 million come from Burma and 500,000 from Lao PDR and Cambodia (Interview Mae Sot Department of Labor Protection and Welfare [LPD] June 20, 2008).¹⁸ Migrant workers tend to occupy lower-paid jobs and are seen to be an integral part of Thailand’s current development strategies outlined above. Thailand is distinct from many labor receiving countries in Asia since a high proportion of Thais are employed in the same sectors drawing migrant workers including construction, light manufacturing and agriculture. The exceptions are domestic work and fisheries—occupations almost totally lacking Thai workers. This destabilizes notions that migrants only take jobs shunned by Thais, or strictly work in the ‘3Ds,’ or dirty-dangerous-demeaning occupations. For example, the Textile and garment industry employed roughly 1.4 million Thais in 2006 (including registered and unregistered home-based workers), accounting for 22% of the manufacturing workforce, down slightly from roughly 25% of the industrial workforce in the 1980s (Virat 2007:4). About 20% are employed in capital intensive textile firms and roughly 80% in garment factories (total of 4,464 registered textile and garment firms in 2006) (Virat 2007:3).¹⁹ Garment factories regularly outsource work to home-based enterprises where workers lack job security, sufficient income, social security and the like. Of course, this complicates contentions since the 1990s that textiles and garments is a ‘sunset industry.’

¹⁷ Thailand’s labor force is approximately 34.43 million (U.S. Department of International Affairs, Bureau of East Asian and Pacific Affairs, 2008)

¹⁸ This contrasts sharply with official government statistics of 1.2 million migrants in Thailand (Huguet and Punpuing 2005).

¹⁹ In 2006 there were 1,069,560 registered workers employed in the textile and garment industry. Of that total, 828,880 employees (77.6 per cent) were working in the clothing subsector. The man-made fibre, spinning, weaving, knitting, and dyeing, printing and finishing subsectors accounted for employment rates of 1.4 per cent, 5.7 per cent, 5.2 per cent, 5.7 per cent and 4.4 per cent, respectively. (Virat 2007).
This highlights the very blurred distinction between the first and third worlds within Thailand. For instance, roughly 68% of the Thai labor force is in the informal economy (Bundit et al 2008:196), meaning they are without protection under the social security law and are not protected by the labor relations acts. In other words, roughly 22 of 35 millions employed in Thailand are producing goods or services that generate income and employment outside of the management or supervision of governmental bodies (Bundit et al 2008). Of those in the informal economy, about 42% work in agriculture and another 31% off farm. Bundit et al (2009:197) found that the numbers of non-secure workers are increasing. For instance, the number of motorcycle taxi drivers in Bangkok has increased from 16,000 in 1984 to 108,506 in 2003; the number of street vendors increased from 24,192 in 1986 to 25,653 in 1998; and the number of home workers has increased by about 80%, from 226,473 to 406,473 between 1999 and 2001. The majority of these home workers are women engaged in manufacturing, especially and garments.

Table 1: Thailand's Employment by Sector

<table>
<thead>
<tr>
<th>Year</th>
<th>Sex</th>
<th>Total employment ('000)</th>
<th>Agriculture (%)</th>
<th>Industry (%)</th>
<th>Services (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>M</td>
<td>18 070.8</td>
<td>49.5</td>
<td>18.5</td>
<td>31.9</td>
</tr>
<tr>
<td>2000</td>
<td>F</td>
<td>14 762.0</td>
<td>47.3</td>
<td>17.1</td>
<td>35.5</td>
</tr>
<tr>
<td>2002</td>
<td>M</td>
<td>18 872.1</td>
<td>47.8</td>
<td>20.5</td>
<td>31.6</td>
</tr>
<tr>
<td>2002</td>
<td>F</td>
<td>15 390.8</td>
<td>44.0</td>
<td>18.9</td>
<td>37.0</td>
</tr>
<tr>
<td>2004</td>
<td>M</td>
<td>19 698.8</td>
<td>43.9</td>
<td>21.6</td>
<td>34.4</td>
</tr>
<tr>
<td>2004</td>
<td>F</td>
<td>16 012.8</td>
<td>40.3</td>
<td>19.2</td>
<td>40.4</td>
</tr>
<tr>
<td>2006</td>
<td>M</td>
<td>19 638.4</td>
<td>43.6</td>
<td>22.0</td>
<td>34.2</td>
</tr>
<tr>
<td>2006</td>
<td>F</td>
<td>16 706.2</td>
<td>40.5</td>
<td>19.0</td>
<td>40.3</td>
</tr>
</tbody>
</table>

Source: ILO Key Indicators of the Labor Market (2009)

A combination of these and other factors lead to contentions that Thailand is stuck in the “middle income trap.” This means it has reached significant yet constrained levels
of capitalist development in terms of “upgrading” the economy to higher value-added products at high levels of production efficiency with local inputs (Doner 2009). For instance, Mournier and Voravidh (2010) find that economic growth in Thailand has shown an extensive pattern, meaning the quantity of productive factors has mattered much more than their quality and their productivity. They contend that businesses tend to stick to an “outdated view” of how to make profits and to past patterns of labor management which are embedded in the economic and social context of a “low skill, low productivity, low income” labor regime, or the ‘3Ls.’ This means that although Thailand has been a critical component of the global shift toward export oriented industries from the 1980s it has failed to substantially generate a higher technology, knowledge intensive economic base. Doner (2009:36-37) argues that the country’s existing high technology exports reflect not real local competitiveness but rather simple, labor-intensive assembly of high-tech components imported from advanced industrialized countries (primarily East Asia). He goes on to quote one analyst who finds that Thailand’s auto sector has become the “Maquiladora of Japan” rather than the “Detroit of Asia,” as Thailand promotes itself.

In summary, there is a difference between Thailand’s discursive and policy ambitions of being a world-class manufacturing and services hub (like Singapore, Hong Kong, Korea etc) and the reality for a majority of the workforce and the economy in general. A small “labor aristocracy” exists in Thailand, particularly in the state enterprises and for a small proportion of workers in manufacturing, and to an extent Thai trade unions reflect this. Thailand has among the lowest unionization rates in Asia, with less than 4% of workers registered as trade union members. In the textile and garment industry, for instance, there are only some 20 enterprise-level unions registered in 2010
(interview, Bent Gehrt, Workers Rights Consortium, April 15, 2010), out of over 4,000 textile and garment firms in the country. In autos a very high proportion of ‘regular’ employees are union members, nearly 100% in the case of Toyota which has integrated union activities with the company’s growth strategy (Arnold 2007), but only 50% of the employees are ‘regular,’ and none of the fixed duration contract workers at the Toyota factories are trade union members.

Border towns and regions have become an important aspect of the extensive manufacturing growth pattern in Thailand. Clearly, it is a policy that extends throughout the country, with border policies and patterns reinforcing those in central areas. This is not, however, merely a policy of the Thai state. It also reflects the sourcing strategies of many large corporations involved in global production of labor intensive goods such as garments (see Chapter 4).

Mae Sot and Global Production Networks: The ‘Low Road’ of Labor Standards

Export-oriented textile and garment production in Mae Sot was initiated in the early- to mid- 1990s, and expanded rapidly after the financial crisis of 1997-98. It was and still is largely driven by low wage labor from Burma. The growth in the industry in Mae Sot was influenced by several factors, including the decreasing competitiveness of the industry in Bangkok and Central Thailand, abundant reserves of Burmese migrant

---

20 There are, of course exceptions to this. Gina Form Bra and Triumph (both bra manufacturers, see Chapter 4) were two of the strongest garment unions in Thailand. Unfortunately, both unionized factories terminated operations in the past 2 years. Gina shifted operations to other locations including Cambodia, while Triumph laid off workers in the unionized plant and shifted many orders to a non-unionized plant in Central Thailand.
labor paid at a third to half of the prevailing minimum wage, tax incentives,\textsuperscript{21} infrastructure investments in Mae Sot and between Mae Sot and Bangkok/ports, and loose to no enforcement of labor, occupational health and safety and environmental regulations.\textsuperscript{22}

**Figure 12: A Mae Sot factory**

Garment production has been concentrated in low-value added products where global competition for low cost is tight and profit margins are small. These segments of the industry are often associated with nomadic buyers and producers who search for lowest cost contracts and informalized labor in countries that also offer attractive investment incentives (tax holidays etc), quality infrastructure and other trade facilitation features that lower total landed costs of products. Mae Sot is a quintessential example of a garment producing center that attracts employers keen on squeezing or sweating labor rather than targeting higher quality apparel markets through investment in machinery.

\textsuperscript{21}These include tax free exports and 10\% reduction of corporate tax-at 20\%.

\textsuperscript{22}In part lack of enforcement is due to insufficient personnel in relevant ministries (see Voravidh 2002).
improved production processes, and investing in human resources and workplace upgrading.

In 2009 Mae Sot based companies comprise 300 out of 534 members of the provincial employers association, the Federation of Thai Industries (FTI), Tak Chapter (all registered firms are required by law to be FTI members). The provincial FTI is headquarter in Mae Sot, signaling that Mae Sot is the center of the provincial economy. 90% of these Mae Sot firms are garment and knitting factories. Mae Sot is also home to numerous unregistered, small scale sewing enterprises, bringing the total number of factories to an estimated 400 (interview, Min Lwin of Federation of Trade Unions-Burma (FTUB) June 19, 2008). Information on the ownership of unregistered ‘sweatshops’ is not available, though fieldwork interviews suggest that many are Thai owned and operated. A majority of knitting and garments factories are subsidiaries of companies producing in Bangkok or central Thailand, and ownership is roughly 70-30 Thai (including joint ventures) and foreign invested, with foreign firms coming primarily from Hong Kong, Taiwan, Korea and Japan (interview, Chair of Tak FTI, October 28, 2009)\(^2\). Thai factory owners registered with the FTI are predominantly from the Bangkok vicinity. Production is primarily for export, with the US/EU accounting for 60% of production, Japan/Africa/Asia 20% and the Thai domestic market comprising about 20% (interview, Chair of Tak FTI, October 28, 2009). The largest factories in Mae Sot employ about 3,000 workers. It is currently impossible to provide accurate figures of

\(^2\) In a 2008 interview a Mae Sot Labor Protection Department official stated that factory ownership is roughly 50-50 Thai and foreign invested (June 20, 2008). She stated that foreign owners come primarily from China (Guangdong and Hainan Provinces), Taiwan and Hong Kong, in addition to Japanese and Korean owned firms.
average factory size because nearly every factory reports only a fraction of its total workforce through the registration process.

Over the years the structure of the industry has changed. According to the Chair of the Tak FTI, in 2003-2004 almost all firms in Mae Sot were sub-contractors, who were only in Mae Sot “for cheap labor” (interview, October 28, 2009). In 2009, roughly 10% of factories are exporters, 60% are original equipment manufacturers (OEM) and about 30% are sub-contractors. Products in Mae Sot are mostly shirts, polo shirts, jeans and jackets. The difference, in general terms, is exporters have marketing departments that obtain their own orders, source raw materials and manage logistics, while OEM companies’ produce on a ‘made to order’ basis, meaning they may source some materials, while sub-contractors have little if any engagement with the garment supply chain beyond sewing garments with inputs delivered to their factory. This shift corresponds with increasing demand for more skilled workers in Mae Sot factories. The FTI Chair said that roughly 70% of Burmese workers in Mae Sot factories are skilled. He also said that they can move more and with greater ease, suggesting worker turnover is a problem for employers.

These changes correspond to other supply chain dynamics in Mae Sot. Mr. Chaiyuth of the Tak FTI claims that lead time over the past five years has dropped from 60 to 45 to 20 days for producers in Mae Sot. Price for orders dropped by 10% in 2008-2009. Logistics/transport costs, or shipping inputs to Mae Sot from central Thailand and shipping finished goods to port, are quite high in Mae Sot at roughly 20% of total cost (interview, Tak FTI, October 28, 2009). One container to Laem Chaebang port costs about 26,000 baht, compared to about 15,000 baht from Ayutthaya in central Thailand.
and roughly 5,000 baht from Bangkok (interview, Tak FTI, October 28, 2009; Schenker (Thai) Co., November 27, 2009). Roughly 70% of inputs are sourced within Thailand, with the remainder coming from China and Indonesia. The ability to source within Thailand, as the case study in Chapter 4 demonstrates, is a critical component of the areas competitiveness in global production networks.

### Table 2: Thailand’s Apparel Exports, 2005-2008

<table>
<thead>
<tr>
<th>Major market</th>
<th>Value (million US$)</th>
<th>Growth %</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>2,111.1</td>
<td>2,083.5</td>
</tr>
<tr>
<td>EU</td>
<td>1,210.4</td>
<td>1,316.8</td>
</tr>
<tr>
<td>ASEAN</td>
<td>770.1</td>
<td>803.2</td>
</tr>
<tr>
<td>Japan</td>
<td>412.1</td>
<td>395.4</td>
</tr>
<tr>
<td>China</td>
<td>282.5</td>
<td>249.7</td>
</tr>
<tr>
<td>Others</td>
<td>1,907.3</td>
<td>1,986.0</td>
</tr>
<tr>
<td>World</td>
<td>6,693.5</td>
<td>6,834.6</td>
</tr>
</tbody>
</table>

Source: Textile Information Center, Thailand Textile Institute (2009)

Wage levels in Mae Sot are low and allow producers in Thailand to remain competitive with lower wage countries in the Asia region (See Table 3). A worker who started work in Mae Sot in 2000 would have been paid 40 baht\(^{24}\) per day and would not have had fees deducted from that amount (interview, garment factory worker, June 10, 2008). In 2008, the daily provincial minimum wage was 147 baht per day but only one of some 400 factories in Mae Sot paid workers the provincial minimum wage (Interview, BLSO and FTUB, June 17, 2008). In fact, average wages were roughly 70 baht/day including overtime (Interview, garment workers, June 8 and 10, 2008), but managers were also deducting money for accommodation and food, a widespread practice since the late 1990s, in addition to a 300 baht per month deduction for ‘security’. ‘Security’ fees have become common in more recent years, especially for Mae Sot workers who do not

\(^{24}\) US$1=34 Thai Baht (September 2008)
have a work permit. They are used to pay bribes to local officials for maintaining unregistered workforces or they are pocketed by employers. (see Chapter 3) As a consequence, the real wage is now significantly lower than it was in 2000. The Federation of Thai Industries Tak Chapter’s policy is that all members must pay workers the minimum wage. However, in practice all members deduct monthly fees from workers’ salary for work permits, accommodation, food, electricity and other fees. Under Thai law these fees are illegal, with the exception of those for work permits.

Low wages are certainly a key consideration in investors’ decisions to produce in Mae Sot and for buyers to source there. But, it is only one of many factors. Thailand’s trade and investment policy and infrastructure (such as time through port, quality of roads, tax incentives etc) are of higher standards than the lowest cost producers in the region (e.g. Cambodia, Bangladesh and Vietnam). As a result, Thai border producers have additional competitive advantages. These non-wage competitive factors are analyzed in the World Bank’s annual *Ease of Doing Business 2010* report, which ranks Thailand #12 out of 183 countries surveyed globally in terms of select indicators including the ease of dealing with licenses, employing workers, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts, and closing a business (China #89; Vietnam #93; Bangladesh #119; Cambodia #145).

---

25 Paying a monthly security fee of 300 baht is, over a year, roughly the same amount as a work permit.

26 In this regard the FTI is becoming much more organized among its members compared to years past. Despite the illegality of these deductions, they have achieved a degree of legitimacy for these policies.
Table 3: Comparative Wages in Asia, 2008

<table>
<thead>
<tr>
<th>Country/region</th>
<th>Daily Minimum wage</th>
<th>Monthly minimum wage</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Local currency</td>
<td>US$</td>
</tr>
<tr>
<td>Thailand</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bangkok</td>
<td>203.00</td>
<td>6.42</td>
</tr>
<tr>
<td>Chiang Mai</td>
<td>168.00</td>
<td>5.31</td>
</tr>
<tr>
<td>Khon Kaen</td>
<td>150.00</td>
<td>4.74</td>
</tr>
<tr>
<td>Tak</td>
<td>147.00</td>
<td>4.65</td>
</tr>
<tr>
<td>Mae Sot (real wage)</td>
<td>70.00</td>
<td>2.19</td>
</tr>
<tr>
<td>Cambodia</td>
<td>7,475.88</td>
<td>1.87</td>
</tr>
<tr>
<td>China</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Guandong Province</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Guagzhou City</td>
<td>28.67</td>
<td>4.03</td>
</tr>
<tr>
<td>Provincial High (outside Guangzhou)</td>
<td>25.67</td>
<td>3.60</td>
</tr>
<tr>
<td>Provincial Low</td>
<td>17.67</td>
<td>2.48</td>
</tr>
<tr>
<td>Shanghai</td>
<td>32.00</td>
<td>4.49</td>
</tr>
<tr>
<td>Qingdao</td>
<td>25.33</td>
<td>3.56</td>
</tr>
<tr>
<td>Indonesia</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jakarta</td>
<td>32,400.00</td>
<td>3.58</td>
</tr>
<tr>
<td>Jawa Barat (Purwakarta)</td>
<td>25,433.33</td>
<td>2.81</td>
</tr>
<tr>
<td>Banten</td>
<td>27,900.00</td>
<td>3.08</td>
</tr>
<tr>
<td>Philippines</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Metro Manila</td>
<td>343.50</td>
<td>8.44</td>
</tr>
<tr>
<td>Cavite/Southern Tagalog</td>
<td>262.00</td>
<td>6.44</td>
</tr>
<tr>
<td>Vietnam</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Metropolitan core</td>
<td>33,333.33</td>
<td>2.05</td>
</tr>
<tr>
<td>Provincial urban or metropolitan suburban</td>
<td>30,000.00</td>
<td>1.85</td>
</tr>
<tr>
<td>Rural</td>
<td>26,666.67</td>
<td>1.64</td>
</tr>
</tbody>
</table>

Notes:
Source: Respective government web-pages, unless otherwise noted
Exchange rate: Oanda.com, average of March 3 & 10, 2008
Daily wage calculated using 30 days
Cambodia: Minimum wage is $50 with a $6 'allowance raise' implemented in April 2008
Philippines: Manila and Cavite based on average daily non-agricultural minimum wages
Thailand: Bangkok and Chiang Mai wage increase as of May 2, 2008; Khon Kaen and Tak as of Jan 2008
Indonesia and Cambodia: Minimum wage figures are for textile and garment industry

This section has analyzed changes taking place in garment production networks and more generally Thailand’s labor-intensive industries. It can be read in a number of
different ways. One conclusion is that Thailand is strategically situated to gain from both lower and higher value added processes of the global garment industry. Namely, it has backward and forward linkages (with a noted weakness in design), advanced logistics, strong presence of leading textile and garment companies, a sizable consumer market (enough for it to be a major consideration for auto producers such as Toyota, GM and others), a relatively well educated labor force and many decades of learning from industrialization and engaging global production networks. Despite these ‘advantages,’ Doner (2009) and Mournier and Voravidh (2010) and other analysts contend that Thailand has failed to take advantage of its position in global production networks and capture higher value added. In this context borders are not peripheral to the national economy. Rather, they are the product of and reinforce the national and increasingly sub-regional economies. I now turn to a section on Cambodia’s export economy and the implications for labor.

Cambodia: The ‘High Road’ of Labor Standards? 27

In recent years Cambodia’s foothold in the global economy and the most prominent aspect of its labor movement has been the textile and garment industry. In the mid-1990s export-oriented garment production became a central component of Cambodia’s economic transition. Though it employs a small proportion of the labor force, the garment industry has been a major focal point of this transition. There are

several reasons for this. Income generated in the industry supports an estimated 20% of the population. Its workforce is roughly 85% women and this is changing Cambodia’s patriarchal society. Also, it is a focal point for the labor movement.

Textile and garment exports comprised about 70-75% of Cambodia’s annual export volume from 2001 to 2008. Roughly 70% of these exports are destined for the US market, making Cambodia the US’s eight largest apparel supplier in 2008 measured by import value.28 This accounts for 90% of export revenue and 16% of Gross Domestic Product (GDP) in 2008. The garment industry directly employed 350,000 workers in 2008 (see Table 4). The Economic Institute of Cambodia (2007) estimates that direct production-related employment accounts for only 53% of employment generated, meaning total employment related to this sector may exceed 600,000, significant for a country of some 14 million people.29 Over 80% of textile and garment workers are rural-urban migrant women who contribute a significant proportion of their earnings to their families in rural areas. (Roughly 85% of the country’s population lives in rural areas). In 2003 the informal economy accounted for 62% of GDP and 85% of the total workforce. The remaining 15% of the workforce was employed by “formal” sectors, especially in the garment industry (230,000), the tourism sector which employed 70,000, and public administration with 350,000 employees (Economic Institute of Cambodia, 2006).

Table 4: Statistics on Cambodia’s Garment Industry (US$ Million unless noted)

<table>
<thead>
<tr>
<th></th>
<th>1995</th>
<th>1997</th>
<th>1999</th>
<th>2001</th>
<th>2003</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exports to the US</td>
<td>0.1</td>
<td>106.8</td>
<td>512.2</td>
<td>792.6</td>
<td>953.3</td>
<td>1,548.0</td>
<td>1,873.0</td>
<td>1,978.0</td>
</tr>
<tr>
<td>Exports to the</td>
<td>25.6</td>
<td>112.3</td>
<td>137.8</td>
<td>308.8</td>
<td>407.0</td>
<td>489.0</td>
<td>571.0</td>
<td>630.0</td>
</tr>
</tbody>
</table>

28 Total exports increased from $1.5 billion in 2001 to $4.1 billion in 2007, including garments, shoes, cigarettes, natural rubber, rice, pepper, wood and fish.

29 Food sellers represent almost 40% of indirect jobs, housing 25% and transportation 5%. Another 30% include small traders, clothing shops and other supporting businesses (Economic Institute of Cambodia, 2007:16).
Currently, Cambodia’s four economic “growth pillars” are textiles and garments, tourism, construction and agriculture (World Bank, 2009a). In recent years Cambodia has experienced significant economic growth coupled with income disparity among the highest in Asia. In 2007 GDP growth stood at 9.6%, which is below the average of about 11% in the three previous years. Lower levels of growth in 2007 were largely due to decreases in garment exports (ADB 2008a). Cambodia’s lack of economic diversification and heavy dependence on the garments sector for export earnings has made it particularly vulnerable to external shocks or fluctuations. For instance, during the global economic crisis garment exports dropped 21.6% in the first 9 months of 2009, with 70 factories closing and approximately 70,000 workers laid off (Kang and Liv 2010:26).

**Initiating Cambodia’s Textile and Garment Industry**

The first factories producing textiles and garments for export opened in Cambodia around 1994, with investors from Hong Kong, Taiwan, Malaysia and Singapore. The industry remains dominated by foreign investors, with Cambodian investors accounting for just 20.2% of the total number of factories in 2008 (ADB 2008b). The table below provides a summary of Cambodia’s garment industry exports and operational factories from 2000 to 2008.

<table>
<thead>
<tr>
<th>EU</th>
<th>Other exports</th>
<th>EU</th>
<th>Total garment exports</th>
<th>% of total visible export</th>
<th>US market as % exports</th>
<th>Job generation</th>
<th>Operational factories</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0.6</td>
<td>4.8</td>
<td>0.0</td>
<td>18.4</td>
<td>72.0</td>
<td>132.0</td>
<td>177.0</td>
</tr>
<tr>
<td>EU</td>
<td>26.2</td>
<td>223.9</td>
<td>653.0</td>
<td>1,198.8</td>
<td>1,601.0</td>
<td>2,169.0</td>
<td>2,622.0</td>
</tr>
<tr>
<td>% of total visible export</td>
<td>3.0</td>
<td>23.9</td>
<td>57.9</td>
<td>71.2</td>
<td>76.7</td>
<td>74.5</td>
<td>70.9</td>
</tr>
<tr>
<td>US market as % exports</td>
<td>0.2%</td>
<td>47.7%</td>
<td>78.4%</td>
<td>66.1%</td>
<td>59.5%</td>
<td>71.4%</td>
<td>71.4%</td>
</tr>
<tr>
<td>Job generation</td>
<td>18,703</td>
<td>51,578</td>
<td>96,574</td>
<td>188,061</td>
<td>233,969</td>
<td>283,906</td>
<td>334,063</td>
</tr>
<tr>
<td>Operational factories</td>
<td>20</td>
<td>67</td>
<td>152</td>
<td>188</td>
<td>188</td>
<td>224</td>
<td>289</td>
</tr>
</tbody>
</table>

for only 7% of ownership in 2008. The largest investors are from Taiwan (accounting for 25% of factory ownership), Hong Kong (20%), China (15%) and Korea (12%) (Kang et al., 2009:12). Management and line leaders can also be brought in, often from the investors’ home country or mainland China. This means Cambodians are generally employed in the lowest wage, least skilled aspects of the production process (Yamagata, 2006). Employment in the industry grew from about 19,000 in 1995 to nearly 100,000 by 1999 and the US quickly became the primary importing country for Cambodia’s garments (see Table 4). This is due to two factors. First, rules of origin clauses under the EU’s “Everything but Arms” program limits EU exports since nearly 100% of Cambodia’s garment inputs are imported. This is also a factor for the Japanese market. Second, Cambodian-produced garments are of lower quality than generally required by EU and Japanese markets (interview, Larry Kao, GM, Manhattan Textile and Garment Corp., 19 May 2009).

In the early days of Cambodia’s garment industry, working conditions were poor. Workers had to pay brokers’ fees to get jobs and were then kept in a form of debt bondage (Pastor, 2005). Forced overtime, illegal pay deductions and child labor were common, and many workers were paid below the minimum wage (Pastor, 2005; Polaski, 2004). In 1996 the first independent and opposition-oriented textile and garment sector union was formed, the Free Trade Union of Workers of the Kingdom of Cambodia (FTUWKC, or FTU).30 The FTU not only began organizing heavily exploited workers, but also communication with the international labor movement. This, among a number of other factors, led to a more widespread understanding of the often abusive nature of

30 Chea Vichea was the union’s president. He was murdered in 2004, and the FTU continues to call for a thorough investigation of the case (see the FTU’s website, http://www.ftuwkc.org/).
employment in Cambodia’s nascent textile and garment industry, leading to anti-sweatshop campaigns in the US and EU targeting prominent brands and retailers whose suppliers were found to be violating basic labor standards in Cambodian factories (Polaski, 2004; Wells, 2007).

US-Cambodia Trade Agreement and “Ethical Production”

The question of why the US is interested in pursuing a bilateral trade agreement with Cambodia is an important question with political implications. Cambodia is a unique political, economic and social context following years of war and destruction, and with the opening to massive aid and technical assistance to rebuild the country. The 30 years of war in Cambodia from the late 1960s to late 1990s left Cambodia’s state and society uniquely eviscerated and without a clear center of political gravity or autonomous development agenda. Cambodia’s specific history of social struggles, war and political disintegration is a key factor in understanding why Cambodia entered the global economy from a position of weakness. Cambodia had few domestic sources of resistance to international and/or neo-liberal policies that can hold sway in pushing for a selective insertion in the global economy.

Given that Cambodia’s economy was a relative blank canvas, this provided ‘exciting opportunities’ in developmental experimentation for foreign governments, international organizations and non-governmental organizations who were granted wide latitude to operate. This created much dependency and lack of autonomy in the socio-economic development process, a situation few other countries have been willing to accept. (This situation is changing, as addressed in Chapters 5 and 6).
In June 1998, labor groups in the US petitioned their government to review the alleged abuse of workers’ rights in Cambodian factories (Polaski, 2004). Cambodia provided an opportunity for the Clinton administration to prove that trade and export-oriented policies could reduce poverty and play a central role in the development process. Cambodia became a “showcase” for other least-developed countries entering the global economy. Bilateral quota negotiations became an avenue for this approach. The negotiations were concluded in 1999, and the 3-year US-Cambodia Textile and Apparel Trade Agreement (TATA) was signed. It was extended for another three years, ending on the same day as the phase-out of the multifibre arrangement (MFA) on 31 December 2004.31

The TATA specified that if the US made a positive determination that working conditions in Cambodia’s textile and garment sector “substantially comply” with international labor standards, then annual quota limits could increase by 14% through 2001 and up to 18% annually through 2004. The TATA was unique in that it linked annual increases in market access to improvements in labor rights. This policy was an experiment creating positive incentives for such improvements, rather than negative incentives which are the norm under the GSP and free trade agreements (Wells, 2007). Also in 1999, a 42-month EU-Cambodia Textile Agreement was signed, which gave Cambodia duty- and quota-free access to EU markets for textile and garment products subject to rules of origin requirements being met under the EU’s Everything But Arms GSP (Bargawi, 2005). Quota restrictions to Canada were also removed in 2002.

31 The MFA, also known as the Agreement on Textile and Clothing, governed the world trade in textiles and garments from 1974 through 2004, imposing quotas on the amount developing countries could export to industrialized countries, particularly the US and EU. It came under the jurisdiction of the WTO with the Uruguay Round.
Along with TATA, an independent but complimentary factory monitoring project, later named “Better Factories Cambodia,” was established in 2001 involving the ILO, the Cambodian government, garment manufacturers (through the Garment Manufacturers’ Association of Cambodia or GMAC), and trade unions. Its initial purpose was to inform ongoing US quota allocation decisions. This was deemed necessary, as Miller and colleagues (2007) point out, since in the early years of TATA, US decisions on quota allocation were based on very limited data and reporting. This leads to the conclusion that implementation of the labor rights component of the project was secondary to the politics of ensuring continuation of the program (Miller et al., 2007; also see Kolben, 2004).\textsuperscript{32} The ILO leads the project and it has been funded by the US Department of Labor, USAID, Agence Francaise de Developpement, the GMAC, the Cambodian government and international buyers including Gap and H&M. The ILO Better Factories Cambodia monitoring program is the first and only project of its kind. The scope of the ILO project has expanded beyond monitoring to creating services to help the industry improve working conditions, whilst at the same time enhancing quality and productivity. A range of trainings and resources are offered, from simple good practice sheets to an intensive 12-month modular training program. The topics covered include workplace cooperation and dispute resolution, occupational health and safety, working conditions, globalization and change processes (ILO, 2005b).\textsuperscript{33}

Since the implementation of TATA it has been upheld as a model of sustainable development via trade and garment manufacturing (see Chiu, 2007; Polaski, 2004, 2009;

\textsuperscript{32} For a more thorough analysis of the Better Factories Program, see Arnold and Toh 2010; Polaski 2004 and 2009; Miller et al 2007; Wells 2007.

\textsuperscript{33} See the Better Factories Cambodia website at http://www.betterfactories.org/ilo for details.
Wells, 2007; World Bank, 2009), and it is a model expanding to 12-14 other countries including Vietnam, Jordan, Haiti, Indonesia, China, Egypt and Bangladesh under the ILO’s global Better Work programme, which started in 2008 (Interview, Conor Boyle, ILO Better Work Programme, 24 February 2009). Sally Paxton of the ILO notes that, “The experience of Cambodia is one example of a successful strategy, the underlying principles of which could provide inspiration for the elaboration of a global strategy to promote fair globalization in the post-MFA environment” (ILO, 2005a). But, with more direct exposure to the demands of mobile capital in the textile and garment industry a more pronounced layering of interests is occurring, in which Cambodia’s discursive “labor advantage”, in terms of compliance with international standards, loses its lustre.

Under TATA and the Better Factories Cambodia model the competitive edge for Cambodia is its gradual implementation and compliance with international labor standards. This is a unique arrangement in at least two ways. First, the Cambodian state defers regulation of labor relations to international institutions, particularly the ILO, to attract international investors as a competitive advantage. As such, Cambodia is promoted as an “ethical sourcing option” for global buyers and consumers. In many countries basic labor rights are regularly suppressed in order to increase competitiveness and investment, for example through regulations prohibiting rights to freedom of association, as is clearly the case in Mae Sot. Other examples include China’s and Vietnam’s restricting trade union activity to a single, state controlled organization to promote political stability.

Second, the initiation of TATA promotes a transition to deregulation of export and import barriers, while at the same time the model promotes the regulation of
production under tripartite functions – engaging government, employers and trade unions. Although some analysts argue that the Fordist modality has finished in the production of commodities (Negri, 2008), in the case of Cambodia this “neo-Fordist” TATA-ILO arrangement is being implemented as a hegemonic mode of social organization. Accordingly, TATA opened the opportunity to foster economic trade unionism based on Western models that discourage political or social movement unionism in favor of co-operative economic arrangements between capital and labor. Under this arrangement, formal employment in the factory became the dominant form of work in Cambodia under the labor law. Furthermore, the terminology of industrial relations, such as collective bargaining, collective agreement, workers’ council, arbitration council, and tripartite committee, developed on the basis of the particular historical arrangement of capitalist-labor relations in the West, were embedded in Cambodia’s newly formed industrial relations system (Chang, 2009).

These initiatives can also be seen as contradictory to neo-liberal trends of the 1990s. The ILO-led Better Factories Cambodia program is in some respects an instance of creating rigidities in labor relations which capital has reduced or eliminated in numerous other countries under the pressure of neo-liberal reform (see Harvey, 2003). Despite this, I find that promoting trade unions and state involvement in regulating labor relations does not necessarily entail empowered workers. Rather, textile and garment firms are embedded in structures and institutions which allow much flexibility in terms of labor relations, largely due to co-opted trade unions which struggle against independent workers’ movements (see Chapter 3). In addition, there are numerous legal loopholes that facilitate union busting and other efforts that reduce the potential for a united labor
movement promoting social interests both inside and outside of the factory. This process is enhanced by the informalization of labor through the use of fixed duration work contracts (see Chapter 3). Hence, within the “neo-Fordist” structures established in the Better Factories program and the TATA are highly atomized trade unions and disempowered workers with low wages and insecure jobs. I now turn to post-MFA trade trends and the implications for Cambodia’s position in global production networks.

**Implications for Garments in Cambodia**

From 1999 through 2004 Cambodia’s garment exports were largely shielded from direct international competition due to quotas that restricted exports to major markets from China, Vietnam and other major producing countries. US’ and EU’s WTO safeguard quotas on many of China’s top garment exports extended Cambodia’s ‘protection’ through 2008. This helped dampen the fact that Cambodia’s textile and garment industry is not deemed competitive in terms of price, quality and speed to market (USAID, 2007), and China and Vietnam are considered primary competitive threats to Cambodia’s industry. With the elimination of quotas and more direct exposure to global competition Cambodia is relying less on its labor monitoring for a competitive advantage and increasingly on managing more generalized competitive factors such as productivity, reducing transaction time and cost, streamlining regulatory burdens and the like (Amin, 2004; EIC, 2007; USAID, 2005, 2007).

| Table 5: US Garment Import Value, Top Ten, Million US$ |
|----------------|---|---|---|---|---|---|
| World          | 56,963 | 64,768 | 68,713 | 71,630 | 73,923 | 71,568 |

34 See Arnold and Toh 2010 for more thorough analysis of the implications of safeguard quotas.
<table>
<thead>
<tr>
<th>Country</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>5,594</td>
<td>8,928</td>
<td>15,143</td>
<td>18,518</td>
<td>22,745</td>
<td>22,923</td>
</tr>
<tr>
<td>Vietnam</td>
<td>895</td>
<td>2,562</td>
<td>2,725</td>
<td>3,222</td>
<td>4,359</td>
<td>5,223</td>
</tr>
<tr>
<td>Indonesia</td>
<td>2,042</td>
<td>2,403</td>
<td>2,875</td>
<td>3,670</td>
<td>3,981</td>
<td>4,028</td>
</tr>
<tr>
<td>Mexico</td>
<td>7,424</td>
<td>6,685</td>
<td>6,078</td>
<td>5,297</td>
<td>4,523</td>
<td>4,015</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>1,883</td>
<td>1,978</td>
<td>2,372</td>
<td>2,914</td>
<td>3,103</td>
<td>3,442</td>
</tr>
<tr>
<td>India</td>
<td>1,902</td>
<td>2,217</td>
<td>2,976</td>
<td>3,187</td>
<td>3,170</td>
<td>3,073</td>
</tr>
<tr>
<td>Honduras</td>
<td>2,440</td>
<td>2,673</td>
<td>2,622</td>
<td>2,440</td>
<td>2,511</td>
<td>2,604</td>
</tr>
<tr>
<td>Cambodia</td>
<td>1,042</td>
<td>1,429</td>
<td>1,713</td>
<td>2,136</td>
<td>2,425</td>
<td>2,376</td>
</tr>
<tr>
<td>Thailand</td>
<td>1,719</td>
<td>1,799</td>
<td>1,808</td>
<td>1,840</td>
<td>1,766</td>
<td>1,668</td>
</tr>
<tr>
<td>El Salvador</td>
<td>1,675</td>
<td>1,720</td>
<td>1,619</td>
<td>1,408</td>
<td>1,486</td>
<td>1,534</td>
</tr>
</tbody>
</table>

Source: Compiled from US OTEXA (2010)
Note: Figures are for “Notional Category 1: Total Apparel Imports (MFA).” Figures including textiles differ significantly.

The global recession that began in late 2008 hit Cambodia’s garment industry particularly hard (see Table 5). Commonly cited reasons for Cambodia’s export downturn are not different from the so-called non-competitive factors regularly discussed since the end of quotas, including: poor infrastructure, low workforce productivity, high frequency of strikes, high utility costs, high costs at customs and other “administrative” costs (usually referring to corruption), a small domestic market (meaning nearly 100% of garment products are exported), insufficient trade facilitation and access to credit, and “dollarisation,” where a rising US dollar hurts competitiveness. Cambodia’s garment factories also have a structural disadvantage as 60% are cut-make-trim (CMT) or assembly factories, usually subsidiaries of corporations with operations in other countries (Kang et al., 2009; Yamagata, 2006). This means that nearly all inputs must be imported and factories do not engage in higher value added nodes of value chains. Combined, these factors lead to higher prices in Cambodia. Table 6 shows that average prices for Cambodia’s exports to the US are significantly higher than “competitors” relying on CMT orders, including Bangladesh and Honduras. Together with the heavy concentration on the US market in a few product categories, these factors mean declining orders in
2008-2009. In this context SEZs are emerging as an alternative manufacturing base to address these and other issues (see Chapters 5 and 6).

**Table 6: Three Tiers of US Textile and Apparel Suppliers, US$ per Square Metre Equivalent (sme), 2008**

<table>
<thead>
<tr>
<th>Price Tier</th>
<th>Country(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>High price</strong></td>
<td>Italy ($7.96 per sme)</td>
</tr>
<tr>
<td>(over $4 per sme)</td>
<td></td>
</tr>
<tr>
<td><strong>Medium price</strong></td>
<td>Vietnam ($2.99 per sme); Indonesia ($2.63 per sme); Cambodia ($2.62 per sme)</td>
</tr>
<tr>
<td>(between $2.50 to $4.00 per sme)</td>
<td></td>
</tr>
<tr>
<td><strong>Low price</strong></td>
<td>Pakistan ($1.05 per sme); China ($1.59 per sme); Honduras ($1.93 per sme); Bangladesh ($2.13 per sme)</td>
</tr>
<tr>
<td>(under $2.50 per sme)</td>
<td></td>
</tr>
</tbody>
</table>


In summary, producers in Cambodia are generally lagging in price, delivery time and quality demanded by buyers. Labor compliance problems, or implementation of basic labor standards, are also becoming more pronounced, particularly with the increasing use of fixed duration contract workers and prevalence of industrial disputes (see Chapter 3). Combined, these factors complicate notions that Cambodia is taking the “high road” to improving work conditions and applying labor standards to maintain a competitive advantage (ILO, 2005a; World Bank, 2007; World Bank, 2009a).

**Conclusions**

In Southeast Asia comparatively low-cost large-scale export production has boomed in urban and peri-urban factory zones, including the Bangkok vicinity and Phnom Penh. These export platforms, once the main sites of workplace abuses, are increasingly regulated through central state institutions and international actors, but are still problematic in terms of meeting minimum standards of health, safety, wages, and benefits. Border areas have, or are, emerging as cost-minimizing, de-regulated, and
flexibly organized industrial zones expanding through the agencies of state and private-sector-supported SEZs and industrial areas. One consequence is the development of production networks increasingly dependent on the ability to mobilize and marshal large labor flows of young, primarily female, workers from Burma and rural Cambodia.

This chapter demonstrated that the regulation of industrial relations in Cambodia’s textile and garment industry has evidenced a unique ensemble of state, trade unions, private sector and international institutions. A prominent aspect of the industry was the US-Cambodia Textile and Apparel Trade Agreement (TATA, 1999-2004). TATA bound increasing quotas to the US market with improvements in labor standards, and from 2001 the ILO began monitoring factories to inform these decisions. TATA and the ILO’s Better Factories Cambodia program are significant political-economic experiments for several reasons. Perhaps most importantly they promote Cambodia’s textile and garment industry’s niche as an “ethical producer” in a highly competitive global industry. The ILO program embeds tri-partite structures and in the process attempts to embed ‘factory labor’ as the ideal form of labor, particularly in terms of law and state administration of labor regulations.

Despite these efforts, the Cambodian state and private sector are struggling to maintain investment in basic nodes of the textile and garment industry after rapid growth over a ten year period. Costs in the Phnom Penh vicinity are considered high from a global production network perspective. This includes high costs of electricity (due to the lack of a power grid in Cambodia), corruption and cumbersome bureaucracy and a high proportion of trade unions that complicate industrial relations. In this context the ‘clean labor advantage’ of Cambodia is waning in prominence. Industrial and economic
diversification is taking on a sense of urgency with the loss of garment orders in 2008-2010. One reaction to this situation is the promotion of special economic zones along Cambodia’s borders with Vietnam and Thailand and near Cambodia’s major port in Sihanoukville. These zones both link Cambodia to the GMS, and address some of the ‘competitiveness’ issues facing industry.

It is in this area that Thailand’s ‘migrant economy’ converges with general patterns in Cambodia. One of the most prominent hubs for manufacturers seeking migrant workers is Mae Sot. It emerged in the mid-1990s as a low-cost sourcing option due primarily to the abundant supply of labor from Burma. It is a quintessential sweatshop and it allows many producers in Thailand to maintain globally competitive production networks in-country. This chapter has demonstrated that border areas in Thailand and the sub-region in general are critical aspects of the pattern to embed low-value, low-skill and low-productivity production networks and informalized labor relations in the economy. Rather than looking at Mae Sot and the borders as an exception to Thailand’s national trends, I find in the border economies a reflection of the broader national and sub-regional economy. Going forward, rather than portraying migrants as a threat to Thais job security, I instead suggest that informalized labor arrangements are being introduced and reinforced in many sectors of the economy. This has important implications for how we conceptualize ‘peripheral’ areas like Mae Sot in the regional and global economy. In other words, I move toward a conceptualization in which mobile, flexible, informalized and feminized wage laborers and peripheral geographic borders are no longer at fringes of the expanding global economy, but increasingly at its heart (Hardt and Negri 2009).
Chapter 3

Policing Migrants and ‘Better Factories’: Informalizing Labor in Global Production Networks

Introduction

The previous chapter demonstrated that there is no single political economy in the GMS. This gives rise to diverse local labor regimes and labor politics. This chapter turns to institutions and governance practices embedding and enabling the informalization of labor. These processes are unevenly established in different national and sub-national contexts. I deepen analysis of one aspect of the labor regime in Thailand (Mae Sot) and Cambodia (Bavet), the state regulation of labor in terms of legislation on contracts, wages, collective bargaining, freedom of association and the like. In particular, the focus is the implementation of informalized labor practices in Thailand and Cambodia. While the two cases demonstrate certain trends in managing labor, they are not homogenized efforts on the part of states and capital. Accordingly, there is no single response from workers and labor organizers. A result is different working classes that

---


36 I will not address another key aspect of Buroway’s labor regime, the social reproduction of labor power.

37 Both are deeply impacted by social and political histories of anti-modernism in Cambodia under the Khmer Rouge and the ensuing socialist era of the 1980s, and isolationism and self-sufficiency ‘socialism’ of Burma from 1962-1988 and the ongoing dictatorship.
are neither pure combativity, nor pure passive dispersal, or a pure institutionalized apparatus (see Lee C K 2007).

This chapter first describes the context for Burmese migrant workers and labor organizers in Mae Sot. A central aspect is a broader state project in which migrant workers are racialized and their civic rights are peripheralized through the construction of a distinct policing regime of ‘partial border citizenship.’ This means, in short, that the state, particularly the police, national security agencies, and border guards work together to regulate nearly every aspect of migrant workers’ lives to create and sustain the conditions for a regime of flexible and informalized labor that enables labor intensive industries to survive in the region. Indeed, precisely because the dependence of the regional economy on migrant labor is so large, the mechanisms of control and the deployment of state apparatuses are ‘necessarily’ extensive. It is, in short, a context where workers’ organizations are suppressed, often violently. Despite this, Mae Sot is arguably the center of the Burmese migrant workers’ movement to promote their rights in Thailand.

The second part of the chapter focuses on Bavet and Cambodia. Unlike Mae Sot Cambodia has witnessed the promotion of trade unions and tripartitism under the Better Factories Cambodia program. One of the results of the TATA and ILO program is a proliferation of trade unions. ILO statistics count 440 active unions in 314 factories in 2008. In 2008 there were 24 union federations in the garment sector for its 350,000 workers, compared to one in all of Thailand for over one million registered employees in the textile and garment industry. (Including unregistered, home-based workers the

---

38 Conor Boyle from the ILO points out this discrepancy results since GMAC statistics tally every union, active or inactive, from the date factories open operations, while the ILO counts active unions (interview, 24 February 2009).
numbers in Thailand are roughly 1.4 million). Sixty percent of garment workers in Cambodia are union members and this is usually considered to demonstrate high levels of worker representation. However, in the Cambodia context the effectiveness of having so many unions is questionable, leaving many unions weak, under-funded, competing with one another, and subject to corruption and political interference by the ruling Cambodia People’s Party.

There are other important shifts in Cambodia. The implementation of fixed duration contracts in Cambodia is an example of the state’s insertion in the social realm of labor regulation once defined by the ILO regulated tri-partite model in the garment industry. Since 2005 many jobs in garments and other light manufacturing industries are being informalized, meaning contracts are increasingly on a short-term basis resulting in lower levels of job security. Thus, there are a number of internal changes occurring in the Phnom Penh-centered garment industry and labor movement. These changes are part of an external push to border industrialization led by SEZs. Here labor relations are apparently informalized, trade union activity is restricted in ways that are similar to Mae Sot, but play out differently in important ways.

**Race and Regulation on the Border**

Mae Sot’s modern economy is closely linked with labor recruitment along the Thai-Burma border to take advantage of the abundance of workers generated by the political and economic hardships in Burma. Profitability in Mae Sot depends to a large extent on these reserves of migrant workers. Mae Sot has been the focus of numerous studies over the past five years, and the difficulties facing Burmese migrant workers are

A common thread in these studies is that egregious labor rights violations are often the norm in Mae Sot. Another commonality is specific tactics and mechanisms are utilized by both employers and state officials to maintain a highly vulnerable and disempowered workforce at the border.

Work conditions for Burmese in Mae Sot factories are, in general, extremely poor. Pay is well below the minimum wage, work hours are between 12-16 hours and more in peak periods, a majority of workers living in factory dorms are not allowed to leave the compound, sexual abuse is common and there are a myriad of other problems. Even under these conditions, migration from Burma to Thailand has expanded considerably since 1988. Prior to 1988, Burma’s economy declined under the ‘Burmese Road to Socialism’, with uprisings in 1988 and again in 2007. After refusing to recognize election results in 1990, the Burma Socialist Program Party reformulated into the State Law and Order Reconciliation Council, which led to a thawing of tensions with Thailand and an opening of its economy and borders to foreign investment. Burma ceased to be considered a military and communist threat. Instead, it was deemed a strategic source of natural resources including hydro-electric power, teak, gems, natural
gas and oil, and a source of low-cost workers throughout Thailand. However, attitudes
towards migrant workers from Burma have changed only slowly, particularly where they
are based on much longer-standing national traditions of antagonism.

The “Evil and aggressive neighbor”

Migrant workers face xenophobia and nationalism in many countries, the
Burmese in Thailand are no exception, and are subject to deeply embedded historical
perceptions of them being an evil and aggressive neighbor. For example, the Thai state
began to view neighboring countries as areas of economic opportunity for Thai capitalism
(Thongchai 2005), with Thailand as the center of the GMS. However, the ‘Burma as the
traditional enemy trope’ remains abundant in current discourse (ibid). If racialization
describes a social process of categorization which makes group relations appear as if they
were natural and unchangeable, the political project of racialization in Thai history has
represented Burmese people through a singular national identity as having negative social
and personal traits. Through historical texts such as “Thai Rop Phama” (Our Wars with
the Burmese) by Prince Damrong Rajanubhab (first published in 1917) these national
characteristics have been reprocessed and studied by Thai students at nearly every level
of education. Sunet and Than Tun (1995) contend that:

Through school textbooks nationalist governments, especially military regimes,
successfully instilled in the minds of the young the image of the Burmese as an
enemy of the Thai nation…the political purpose underlying this nationalist
propaganda relates to an attempt of the government to stir up a sense of
nationalism and at the same time legitimize their ruling authority by claiming that
they, like their brave ancestors who fought against the Burmese, take as their
primary concern the task of protecting the nation, religion and monarchy from
external invasion… [This is an] outcome of political maneuvers by the Thai
government to stabilize their power and authority and secure their own interests.
One consequence has been the easy justification of intolerable conditions for migrants, and especially for those working in low-skilled, low-wage labor intensive industries. Thus, in the recent 2006 provincial decrees in Phuket, Samut Sakhon, Surat Thani, Ranong, Pang-Nga and Rayong ‘the migrant’ found herself subject to further regulation and racialization through group-specific curfews and prohibitions on the use of cell phones, on migrant workers owning or riding motorcycles, and on five or more migrants from gathering for activities that are not for the express purpose of religion, tradition or custom.\(^{39}\) On 26 October 2007, Mr. Veerayuth Yeamampar, Governor of Samut Sakhorn Province, stepped up the restrictions by circulating a letter stating that all employers in his province must forbid migrants from holding cultural events, stating that: \(^{40}\)

…They [migrant workers] are also now trying to organise cultural performances at all occasions and fairs, which is not suitable. These activities should not be supported because it will make the community feel that these people are the owners of the community, and could create security problems. Also, it is contradictory to the government’s objective for them to be just temporary workers…Hence we would like to ask every place of employment and factory to control and monitor those foreign workers who are under your responsibility to see that they behave and work according to the law strictly. If they violate the law, they will be seriously punished. We should not allow them to organise cultural ceremonies at any event at all.

A particular challenge for numerous Thai government officials has been how to balance these longstanding traditions that denigrate the Burmese while at the same time acceding to the demands of employers. In 1992-94, the Thai state began formally registering migrant workers from neighboring countries. From 1992-2000 migrants were


\(^{40}\) A significant proportion of migrant workers in Samut Sakhorn are ethnic Mon. There are also large populations of Mon in Eastern Thailand who are Thai citizens and perform many of the same cultural ceremonies as the migrant Mon.
allowed to register in select industries and provinces and from 2001 all industries and 
provinces were included. Officially, migrants are registered with a single employer and 
are thus bound to a particular workplace, with Province/District work permits being 
renewed on a 3, 6 or 12 month basis. Those with work permits are considered 
temporarily ‘legal’. After the permit ends workers must register again or they will be 
considered illegal and subject to deportation. In practice, registered migrants have 
comprised a minority of the total migrant labor force since the inception of registration 
systems. Few if any factories register all of their workers, if they register any.\footnote{41}

For workers in this border region work means work is without clear-cut 
employment contracts or social protections, or informalized. This has direct implications

\footnote{41 Over the past decade registration numbers have varied between roughly 90,000 in 1998 to the 2008 level 
of 700,000, peaking at about 850,000 in 2004.}
for how workers organize to challenge these arrangements, and on the strategies of labor organizations. These informalized working and legal conditions for Burmese migrants in Mae Sot have led to the emergence of distinct groups of local actors and associated power dynamics. One such group is organized labor and the trade unions that represent them. Migrant workers lack legal rights to form trade unions and illegal and unregistered workers have few social or civil protections. Under the Labor Protection Act only Thai nationals may form unions, but migrant workers may only join unions formed and led by Thais. However, less than 4% of Thai workers are members of trade unions and a small number of migrants are members of only one dock-workers trade union. The situation for migrant workers is exacerbated by the official position of Thai trade unions. As recently as the early 2000s most fractions of Thai labor were united by anti-migrant sentiment, seeing in the migrant worker a threat to job security and national security (i.e., influx of drugs, disease, violence, etc.). However, in recent years addressing nationalist and racialized sentiments has become a priority for many in the Thai labor movement who are interested in promoting the rights of migrants (interview June 17, 2008, Thai Labour Campaign, Centre for Aids Rights and Map Foundation). According to Professor Voravidh Charoenloet (interview June 5, 2008), one of the leading labor economists working in Thailand, the perception among organized labor groups that migrants are a threat to jobs are changing, as many organizations, particularly trade unions, NGOs and others, now argue that migrants should have the same rights as Thais (in terms of pay, freedom of association, collective bargaining, etc.) and that the trade unions need to move beyond their traditional organizing strategies to speak to migrant problems and desires. That said, it is difficult for Thai unions to negotiate on behalf of their own members,
much less migrants who are outside of the tri-partite framework. Given migrants
mobility between jobs and through different sectors, it is difficult to imagine Thai unions’
efforts to go beyond lobbying the central government for equal rights.

**Figure 14: Burmese migrant workers filing compensation claim forms**

Photo: Dennis Arnold

*Policing Migrants*

In Mae Sot migrant workers must also deal with the local police, border police
and other state authorities such as the National Security Council who are vigilant in
enforcing the fact that workers often lack registration rights or have the proper
identification. In fact, the local police, border police and military are the most powerful
actors in the region. With a preponderance of illegal and unregistered workers, and with
few actionable rights protecting them, workers fall ready victims to the police who are
able to extort money from them *and* from the factory owners who employ ‘illegal’ or
unregistered workers. Annual registration fees are 3,980 Thai baht (roughly $117).
Workers cannot afford this, so the fee is paid by employers and deducted throughout the
term of employment, usually one year in garments with three to six month permits for seasonal employment such as agriculture. This has several implications. Employers do not want to lose the workers before they have repaid the fee, so most keep the permit and give a photocopy to workers. When these workers are outside the facility in the community they are, as a result, particularly vulnerable to local police. Workers found without their permit (whether a photocopy or those not registered) must pay a bribe, between 100-200 baht (Interview, garment workers, June 8 and 10, 2008). Those not able to pay the bribe may be taken to jail. From there the worker is either released to employers or to someone who can produce the registration card. If no registration can be produced, they are deported to Myawaddy, Burma.

**Figure 15: Burmese migrants waiting to return to factory work**

In this regime of policing managers are able to exercise despotic management controls over workers, they are easily able to constrain their daily movement, and illegal
or unregistered workers can – as a result – be readily locked in factory compounds and
allowed to move about the community only at certain times like days off or the monthly
pay-day. Their difficult situation is furthermore compounded by the Federation of Thai
Industries-Tak Chapter which has prevented the local Department of Labor Protection
and Welfare from exercising its legal responsibilities of oversight and workplace

Taken together, factories and workers constitute a form of trans-border production
system that constantly fluctuates between what is legal and what is illegal. Few if any
factories report and register their full workforce to the Ministry of Labor, making them
vulnerable to investigation or raids by the police. A significant proportion of Mae Sot
factories are on the fringes or bottom of global production networks, well beyond the
scope of CSR and monitoring initiatives prevalent in certain supply chains of the global
garment industry. Several cases in Mae Sot of unauthorized production for major brands,
including Tommy Hilfiger, have received public attention in recent years (Arnold and
Hewison 2006; Junya and Hveem 2005), and one consequence has been that authorized
producers of branded apparel that outsource production to Mae Sot must keep this
unauthorized production ‘hidden’. Reputation conscious brands do not want their names
associated with exploited migrants from Burma. This means that certain levels of
production in Mae Sot are ‘illegal’ and are not part of brand and retailer compliance
programs.42

These conditions mean that migrant workers in Mae Sot, with a work permit or
not, enjoy few if any political or social rights. But they also suffer in terms of their

42 That said, the links between work conditions, corporate compliance and labor monitoring programs are
tenuous at best, as I demonstrate in the Cambodia section of Chapter 2 and in more detail below.
inability to access even basic services, including basic health care. Access to state medical facilities is included with a work permit. Since a majority of workers do not have a permit or only have the photocopy issued by their managers, access to health care in hospitals is difficult. Roughly 80 percent of workers in Mae Sot garment factories are women. One major concern of these women is unwanted pregnancy. According to Dr Cynthia Maung, “Most women factory workers live on the premises the entire time, forbidden from venturing out. They have no family or social life and enjoy little access to medical services or education programs” (Aye Chan Myate 2008). Workers who do become pregnant are generally not given maternity leave (Interview, garment workers, June 8 and 10, 2008). As their pregnancy advances they are replaced by another worker.43

**Figure 16: A dormitory for Burmese migrants at a Mae Sot factory**

![Image of a dormitory for Burmese migrants at a Mae Sot factory](Photo: Yaung Chi Oo Workers Association)

43 This is a violation of the law that stipulates 3 months maternity leave, lighter work for pregnant women in later phases and other benefits.
The Mae Sot social economy thus combines an extreme form of authoritarian control of labor at the factory level and at the border with everyday uncertainty for workers in the town itself. The result is a unique ensemble of border regulation, incentive strategies, and citizenship regimes and the emergence of what Pitch (2007: 189) terms ‘partial border citizenship’:

[border partial citizenship is]... the most flexible form of labor formation in contemporary Thailand. It is the actualization or the concretization of the abstract labor into the registered illegal migrant worker,\textsuperscript{44} rather than proletariat or the modern industrial worker. It is a process in which the lived political, economic, and social relations take place in the form of the registered illegal migrant worker rather than the modern form of citizen or immigrant that still has relatively better protection from the state and the economy in terms of welfare and the length of stay. It is the process that makes possible labor as a real productive factor which is close to, if not identical to, the abstract labor in the production theory; ie, the labor is actually kept in the gated factory to work because they do not have any legal immigration category and they have to be registered with the employer only.\textsuperscript{45}

\textit{Challenging Employers}

Interviews conducted between 2003 and 2009 indicate that this situation may be changing and that workers are increasingly able to make small gains when negotiating with employers, including small pay raises and compensation claims. This is a significant improvement on conditions from the early to mid-2000s.\textsuperscript{46} At that time nearly any form of negotiation was met with dismissal and regularly deportation. In the past, physical violence and murders of activists were not uncommon (Arnold 2007).

\textsuperscript{44} Pongsawat terms it ‘registered illegal migrant worker’ since all migrants who enter Thailand outside of a Memorandum of Understanding with sending governments are technically ‘illegal’. A work permit makes the ‘illegal’ migrant temporarily legal. To date Thailand has not implemented an MOU of this kind with Burma.

\textsuperscript{45} A shortcoming of Pitch’s analysis is the failure to analyze the un-registered migrant workers in Thailand, who comprise an over-whelming majority.

Negotiations and/or confrontations with employers are for the most part livelihood struggles in which migrants appeal to local courts for owed wages, compensation claims or reinstatement. Mae Sot was the first place in Thailand where migrant utilized the legal system to confront employers and it has spread both within Mae Sot and to other parts of Thailand. For instance, one Burmese worker in Mae Sot who had recently begun participating in the activities of one migrant labor organization said that he heard workers got compensation, that it was a rumor going around among workers. He said that he later found out it was true and realized it is possible for migrants to improve their conditions (interview, November 21, 2009).

One Mae Sot based labor organization that has been most active in court cases and organizing workers more generally, the Yaung Chi Oo Workers Association, has used this recognition to scale up its efforts to other parts of Thailand. They now have ‘offices’ in Bangkok and other parts of Thailand and are cooperating with Thai and other Burmese labor organizations in several other cities and regions of Thailand.47 Importantly, it is an organization led by a leader of the 8-8-88 generation and is bringing migrant worker concerns into Burma’s exile democracy movement. In the past migrant workers had largely been viewed as passive victims of the regime rather than active agents in ongoing processes of social and economic change in the country (Maung 2008).

In response to the unique needs of their members some Mae Sot labor organizers have adopted non-traditional strategies. For instance, the organizers primary ‘members’ are industrial workers, but their time in each factory and the Mae Sot area are often

47 The organizations offices are based in the homes of members of the workers association.
limited. Accordingly, theirs is a movement that includes industrial workers, but the strategy moves away from in-house unionism toward an approach that is network based and flowing rather than fixed in space. The primary ‘containers’ of the labor movement are migrants’ social organizations that are generally based in a housing complex, or organized around cultural events. Workers can now negotiate with and even confront employers with the assistance from Burmese workers associations, Thai and Burmese NGOs, and increasingly Thai trade unions. After several years of pressure, dialogue, and confrontation, the Mae Sot Labor Protection Department is now more open to negotiations and less committed to acting in the interests of the employers (interview, BLSO and LPD, June 17 and 20, 2008).

Despite these gains for migrants and their organizations, there are serious limits to the opportunities for migrant workers to make demands on either their employers or state
authorities such as the Labor Protection Department. Moe Swe, perhaps the most prominent labor activist in Mae Sot and Secretary General of the Yaung Chi Oo Workers Association concluded that “The problems in the factories haven’t changed. Workers still have the same problems over pay, work permits, unjust dismissal etc” (interview, October 27, 2009). Employers seem willing to allow collective action so long as it does not jeopardize profit margins, excessive working hours or claim additional freedom to move in the community and between jobs, in other words three of the primary concerns for most workers. Consequently, negotiations are usually over very small increases in pay, compensation claims, and other issues that do not seriously challenge the regional powers that employers enjoy. Perhaps more importantly, and not surprisingly, negotiations among workers and employers do not address local and national state policies and mechanisms that maintain conditions of a vulnerable workforce in the region. State authorities, including police and the border army, who are the real power brokers in the Mae Sot industrial area, continue to pose serious risks for Burmese workers and activists. However, Mae Sot employers’ associations and local/provincial political leaders are challenging the police/military national security dominance of the border in attempts to forward a liberal trade agenda through implementation of an SEZ (see Chapter 7).

Cambodia: Changing Labor Relations, Beyond the Better Factories Model

From the late 1990s garment workers became part of a new social force emerging from the process of economic change in Cambodia, who were a prominent part of the upsurge of protest of discontented groups in Phnom Penh (Hughes 2003). The immediate
causes of most demonstrations and walk-outs were to do with violence or threats of violence against individuals, forced overtime, or, most commonly, racist slurs uttered by foreign managers (particularly ethnic Chinese), not issues of pay (Hughes 2007: 842).

The opposition Sam Rainsy Party became a regular backer of workers’ demands. The Cambodian People’s Party (CPP), recognizing the political significance of this group, came to form or support numerous trade unions.

Since the upsurge in strikes and protest in the late 1990s there has been a proliferation of trade unions in Cambodia, largely a result of the TATA and ILO program discussed in Chapter 2. While the Garment Manufacturers Association of Cambodia (GMAC) counted 892 trade unions in 270 GMAC-member factories in mid-2006, the ILO statistics count 440 active unions in 314 factories in 2008.\(^4\) The ILO figure equates to 1.4 unions per factory, with total membership accounting for roughly 60% of the workers in the industry; roughly 84% of factories have at least one union. In 2008 there were 24 union federations in the sector for its 350,000 workers. The number of unions and federations increased sharply after TATA was initiated, a majority of them considered aligned with the ruling Cambodian People’s Party (CPP). Sixty percent union membership is usually considered to demonstrate high levels of worker representation. However, in the Cambodia context the effectiveness of having so many unions is questionable, leaving many unions weak, under-funded, competing with one another, and subject to corruption and political interference by the CPP.

From the perspective of the handful of independent federations, the Coalition of Cambodian Apparel Workers Democratic Union (CCAWDU) and FTU the most

---

\(^4\) Conor Boyle from the ILO points out this discrepancy results since GMAC statistics tally every union, active or inactive, from the date factories open operations, while the ILO counts active unions (interview, 24 February 2009).
prominent over the past 10-15 years, their activities promoting workers rights are inhibited by four factors: first, government (which often directly or indirectly supports “friendly” unions); second, employers and the GMAC; third, the numerous pro-capital unions that contend with independent and other unions for representation in factories; and fourth, the mafia-unions that extort money from both employers and members.\textsuperscript{49}

The implications of this situation are several. First, despite high union membership, basic rights are often neglected or abused. For example, pay is often not transparent and below the official minimum wage, set at $56 per month in 2009, freedom of association is regularly denied, and, since 2005, employers more regularly use daily or short-term workers, who are reluctant or unable to promote their rights whether individually or as union members. Second, and related, the high number of federations and plant-level unions makes it difficult for ‘genuine’ unions to promote the rights of their members. Competition and conflict among the unions and the national federations limits their effectiveness. Third, the proliferation of unions and federations is associated with the rise unions as businesses. Running a union can be lucrative as corrupt unions can seek kick backs from employers and “fundraise” in other ways. Fourth, an atomised and corrupted labor movement loses political effectiveness. Such unions and federations do not pose a serious challenge to the ruling CPP; an important consideration as textile and garments is the most highly organized sector in Cambodia. CCAWDU, has claimed that the CPP is also encouraging the formation of friendly federations to prove that opposition/independent federations are a minority and do not represent the workers

\textsuperscript{49} The ILO has categorized unions as “A” and “B.” A unions are considered pro-CPP while the B category are opposition unions, even though most of the B unions are not active supporters of the opposition Sam Rainsy Party or the CPP, such as CCAWDU. In reality, however, there are other categories that I have listed.
(interview, CCAWDU, May 2006). In addition, unions are used during elections to garner support for political parties.

For activist workers and trade unionists, there are several other problems faced that inhibit their daily activities. Most serious has been the murders of three FTU trade union leaders, including FTU President Chea Vichea, since 2004. Activists also face violence including assault and intimidation. Such threats are often associated with collective bargaining. For example, in June 2007 the president of a union federation was threatened by thugs during high-profile negotiations over labor rights violations at a factory producing for a major European buyer (interviews, June 2007). Employers will also use legal threats against unions. For example, in 2007, an employer pressed criminal charges against CCAWDU for “inciting workers to go on strike” (Gregoratti and Miller, 2009).

In summary, despite high levels of unionization, trade unions largely struggle to maintain representation at the factory level. Union leaders are also overwhelmed with court cases, arbitration, disputes, in addition to participation in a host of trainings, workshops and related matters. This is a critical factor preventing them from dedicating time and resources toward becoming more prominent social and political forces representing the interests of their members both inside and outside of the factory. In cases where union activists become prominent political opposition forces they are more susceptible to violence or even death, as was the case with Chea Vichea.

*Informalizing Work*

---

50 I (half-jokingly) told one friend, the vice-president of a garment federation, that his union needs to take a training on how to implement all the trainings he and his colleagues undertake.
Under Cambodian labor law there are two main categories of employment contract: undetermined duration contracts (UDCs) and fixed duration contracts (FDCs) (BFC, 2006b). As their names suggest, UDCs are valid for an unlimited time, while FDCs are valid for a specific period of time, usually 3-6 months, that can legally extend indefinitely if workers and employers “agree” on the terms. Kang and colleagues (2009: 18) find that FDC terms have shortened since the onset of the global recession in 2008, generally from 6 to 3 months. CCAWDU stated in an interview (June 2007) that from 2001 until 2005, a majority of workers in registered textile and garment factories were UDC workers with associated benefits such as sick leave and maternity leave, regular wages, holidays and the like. Implementing this was a central aspect of the ILO-TATA’s legitimacy. Since the end of the quotas one of the significant changes in factories has been the increased use of FDCs. According to an unpublished preliminary investigation conducted by the Workers’ Rights Consortium in 2009, only one of 60 factories surveyed exclusively used UDC workers, while most of the remaining 60 factories surveyed either exclusively use FDCs or since 2005 employ all new workers on FDCs. This indicates a rising tendency for work and workers to become increasingly “informalized.” In this sense work and labor relations in Cambodia are converging with trends in much of Asia after a period in which, at least discursively, Cambodia was an exception to trends breaking down the rigidities of organized labor (Chang 2009).
According to CCAWDU, the use of flexible labor began in larger knitting factories, employing 3,000 to 10,000 workers, primarily in Kandal Province where unionization rates have been highest. FDCs have now spread to both smaller knitting factories and garment assembly factories of all sizes (interview, CCAWDU, January 2009). CCAWDU reports that if these workers on FDCs are hired as regular employees their time as temporary workers is not factored into their seniority and benefits. FDCs have become the biggest challenge for trade union organizing and workers livelihoods, exacerbated by unions that are close to factory management that encourage workers to be on FDCs. They do so to maintain the union’s good relations with employers to maintain “competitiveness” in garment sourcing networks (Interview, Chea Sophal, Better Factories Cambodia, 12 November 2009). Many workers wish to be on FDCs because it is a way to get cash in hand. For instance, FDCs are entitled to 5% severance pay for completion of contracts. Also, if a 6-month contract is terminated prior to the end of the contract, workers are entitled to the basic wage for the duration of the contract.
Employers are increasingly using FDC and daily labor as part of efforts to maintain or increase profits and, not coincidentally, to avoid the demands of organized workers. Commenting on this trend to FDCs, Anne Ziebarth, legal advisor for Better Factories Cambodia stated that this was “… troubling because it may indicate that they [employers] misunderstand the appropriate use of the different types of contracts, or that they are using FDCs to undermine workers’ employment security” (BFC, 2006b).

The ILO confirms that employers prefer workers on FDCs to those on UDCs “...because they believe that it is easier to terminate workers” (BFC, 2006b). Employers are under no obligation to renew a flexible worker’s contract after it has expired, but they are prohibited from firing FDC workers for illegitimate reasons, including anti-union discrimination. Cambodia’s labor law is clear that all workers have the right to join and form a union, regardless of the type of contract (Arnold, 2008). Employers are expected to have a valid reason based on the worker’s aptitude in deciding whether to terminate a flexible worker’s contract. Without a valid reason an employer is liable to pay damages to the worker in addition to legally mandated 5% salary compensation. Many factories will not allow male workers to become regular, out of fear that they will become union leaders, as men are perceived to be more likely to be union activists. Some only allow workers to become regular if they fulfill certain requirements, such as not asking for leave during their first three months of work or being unmarried (interview Womyn’s Agenda for Change, March 2009).

The expansion of FDCs is a major factor in the increase in plant level strikes in Cambodia since 2005 (see Figure 19). In 2006 the ILO confirmed that, “We are seeing more disputes arising over the type of contract used to employ permanent workers, with
workers in some factories complaining that they lack security of employment because they are working under repeating short-term FDCs” (BFC, 2006b). Other factors prompting strikes include disputes over wage and entitlement payments, non-discrimination against union activists, firing and rehiring retrenched workers and sexual harassment. Increasing frequency of strikes is, as noted in Chapter 2, considered a detriment to Cambodia’s “competitiveness” vis-à-vis China and Vietnam. These claims overlook fairly widespread and often large scale strikes in China and Vietnam over the past five years (Clarke 2006; Lee 2006; Lee 2007).

**Figure 19: Workers at the 2009 May Day rally in Phnom Penh**

Photo: Dennis Arnold

---

51 It is worth noting that “cultural issues” or racist slurs uttered by foreign managers, identified as a common reason for strikes in the late 1990s and early 2000s (see Hughes 2003) are now rarely cause for strikes. That being said, I have interviewed numerous Cambodian workers over the years who have said that cultural differences cause discomfort and tensions in the workplace.
CCAWDU’s response to FDCs is to organize them as they would other factory workers and negotiate with management for them to become UDCs. FDCs pose a challenge to Cambodian trade unions’ strategies given the model of in-house unionism that dominates the organizing landscape. Organizing is, not surprisingly, taking place outside of factories as well. CCAWDU was central in forming an informal economy workers association in 2006, the Independent Democratic Informal Economy Association (IDEA).\textsuperscript{52} Despite this recent initiative, CCAWDU and IDEA have not yet developed a coordinated strategy for organizing informalized factory workers and those in the informal economy (such as moto taxi drivers, street vendors etc).\textsuperscript{53} They have noticed that it is fairly common for IDEA members to have been former CCAWDU members.

\begin{figure}
\centering
\includegraphics[width=\textwidth]{figure20.png}
\caption{Number of Strikes in Cambodia, 2002-08}
\end{figure}

Source: Compiled from GMAC Labour Support Office (2006) and Kang et al. (2009)

\textsuperscript{52} IDEA’s president is a former garment factory worker and CCAWDU member who after having left factory work was a motorcycle taxi driver, a common informal economy occupation for men in Cambodia.

\textsuperscript{53} CCAWDU and IDEA along with four other federations in food and services, farming, civil servants and hotels/tourism formed the Cambodian Labour Confederation (CLC). The vast majority of CLC members are from textile and garment factories and the food and service sector.
though these members generally did not know that the two organizations are connected prior to joining IDEA.

The patterns described above embed – for Cambodia, this may be seen as a re-embedding – the informal nature of labor and changes its social form in Cambodia as mobile capital requires flexible and disposable forms of labor (Chang, 2009). The increasing prevalence of FDC workers signifies a break from the “decent work” principles of the Better Factories Program such as job security, benefits and rights to freedom of association, and is one of many factors throwing the sustainability of the “ethical niche” into question, regardless of its validity. In particular, an objective of the ILO program is to encourage bureaucratic solutions attained by professional negotiators to decrease the likelihood of disputes disrupting industrial production (Hughes, 2007). Use of FDC workers appears to be a strategy by employers to compete in global markets, yet it produces discontent among workers and independent trade unions who increasingly take to the streets to make demands not met through institutionalized channels.

*Labor and Border SEZs in Cambodia*

Of the six factories in the Manhattan SEZ in Bavet (one of five SEZs in Bavet), five employ workers on FDCs (interview, Kingmaker workers, November 3, 2009). The one employing workers on UDCs, Kingmaker (see Chapter 4), was attempting to transition workers into FDCs in November 2009. Workers at Kingmaker were resisting FDCs because they wanted seniority severance pay factored into the new contract, which Kingmaker would not accept. The fact that Kingmaker has negotiated with workers over
the contract terms is likely the result of past trade union activity in the Kingmaker factory in Bavet.

The Cambodian Federation of Independent Trade Unions (CFITU) is the first trade union to organize in the Bavet SEZs and any SEZ in Cambodia. In the 1980s the CFITU was the state sanctioned trade union during Cambodia’s Socialist era, the Association of Kampuchean Trade Unions. In the early 1990s it became a governmental institution named the Center for Labor Development and Training. On July 1st, 1999 CFITU was founded as an ‘independent’ trade union, formally separating from the government (interview, Tep Kimvannary, President of CFITU, April 22, 2009). It still maintains close relations with many government officials and ministries and is categorized as a pro-CPP trade union. These links proved to be critical in their efforts to organize in Bavet SEZs, yet it was not sufficient to maintain members.

CFITU organizers utilized connections with Svay Rieng provincial Ministry of Labor and Vocational Training officials to gain access to workers in the Manhattan SEZ. The President of the CFITU noted that “even with a permission letter from the provincial governor it was difficult to get access [to workers in the SEZ]” (interview, April 22, 2009). This political support, in addition to accessing the SEZ during an ILO supported training led to their organizing a union in 2008. At its peak the union represented about 700 of the 1,000 workers in the Kingmaker factory at the time. Workers from Kingmaker said that there were a number of problems in the factory, particularly forced over-time and dismissal without valid reason (referring to the union leaders). Other demands from workers were to increase the number of toilets in the factory.
The newly formed union took these complaints to the management who refused to negotiate. The first union president was fired by Kingmaker shortly after the union election. The union secretary left shortly afterwards due to ‘pressure’ from the employers. Remaining union leaders then consulted the Ministry of Labor official stationed at the SEZ is in the One Stop Service Center. He, workers claim, pressured the workers to repeal their demands. One worker noted that “there are clear violations of workers’ rights but the [labor protection] officers don’t do anything” (interview, Kingmaker workers, November 3, 2009). This should not come as a surprise given that the labor protection official’s salary is paid by the zone administrators (see Chapter 5).

The Kingmaker union then asked the CFITU in Phnom Penh for assistance. On their visit to Bavet the CFITU members were refused access to the SEZ, despite having ‘political connections’ and support from provincial officials. In the process the union was not able to address the workers’ problems, workers became increasingly fearful of union activity since it had led to dismissal for others, and the union ended up losing its members who “saw no reason to be members…since the union could not address their problems” (ibid).

At the time of the interview in November 2009, only the union leaders and core activists remained, leaving it with less than 10 members. They said that the situation is similar in Sheico, another factory in the Manhattan SEZ, where a union exists in name but does not function.

In many ways this process has played out many times in factories throughout Cambodia. Two things make the situation at the border different: political connections did not help the union organize in the factory as is common in the Phnom Penh vicinity, and the distance to Phnom Penh leaves the workers and unions isolated and more
vulnerable without support of the federations, which are all based in Phnom Penh. CCAWDU, for example, said that they have no intention to organize in Bavet due to the difficulties associated with the distance. CFITU had an office in Bavet for a short time but was not able to maintain it due to costs.

As of November 2009 the ILO’s Better Factories program had no formal mechanism in place with SEZ administrators. A Better Factories official explained that its monitors made one unannounced monitoring visit to the Sheico factory in the Manhattan SEZ which is standard protocol in the program. The monitors were denied access to the SEZ by security guards and the SEZ administrators, but after some explanation of the Better Factories role they were allowed inside the zone (interview Chea Sophal, Better Factories Cambodia, November 12, 2009). Of course, this raised concerns that laws are being applied differently inside the SEZs (ibid). It was concluded, not surprisingly, that if this is the case then it is detrimental for industrial relations and would undermine any progress made nationwide under the Better Factories monitoring.

For decades export processing zones have been no union zones, often by law but often through union busting practices similar to those outlined above. From this perspective what is happening in Bavet is not new. It is, however, noteworthy in a context such as Cambodia where trade union rights have been both discursively and materially prominent throughout the 2000s. It appears that SEZs are becoming a means for employers to block trade union activity altogether, even those with support from the CPP and/or provincial officials. In Cambodia the increasing use of fixed duration contract workers is an example of government-mandated lowering of labor standards to maintain competitiveness with lower cost sourcing options in the region.
Conclusions

The implementation of fixed duration contracts in Cambodia is an example of the state’s insertion in the social realm of labor regulation once defined by the ILO regulated tri-partite model in the garment industry. The shift to FDC, casualization, precarity etc follows trends throughout Asia (Chang 2009), but is significant in Cambodia given the global prominence and ‘branding’ of the ILO’s efforts to create a model of ‘fair globalization.’ Informalization of migrant and feminized labor is a part of neoliberal practice in the GMS which moves to reinforce and expand the state as a strong and autonomous subject that dominates the social field in realms including labor regimes and police activity (Hardt and Negri 1994). In Mae Sot the regime of policing nearly every aspect of migrants’ life both inside and outside of the factory creates and sustains the conditions for a regime of flexible or precarious labor that enables labor intensive industries to survive in the region.

Mae Sot is a clear example of strategies to manage labor by spatial means. Because the dependence of the Mae Sot economy on migrant labor is so large, the mechanisms of control and the deployment of state apparatuses are ‘necessarily’ extensive in the border area. In Cambodia this process is only in beginning phases, at least in relation to SEZs. Workers in these contexts move among different forms of labor, but the factory and tri-partitism are still dominant as ‘containers’ of organizing strategies. In Cambodia the TATA and Better Factories program are parts of a process whereby Cambodia is pulled onto the global assembly line, and ‘factory labor’ and the ‘formal economy’ become ideal types for workers and the economy. Going forward, this process must be broadened and deepened with enhanced “reforms” in order for Cambodia
to maintain its position in global production networks. The medium and longer term implications of these processes are not clear, yet the push for SEZs along borders and Cambodia’s coastal area is gaining momentum.
Chapter 4
The China Ripple Effect and Globalized Production in GMS Borderlands

Introduction

In late 2010 the New York Times, AP and other sources reported on the end of the low-cost manufacturing era that came to define popular perceptions of China’s position in the global economy for nearly 30 years, examples include:

“Companies brace for end of cheap made-in-China era” (Kurtenbach 2010)
“Bangladesh, With Low Pay, Moves In on China” (Bajaj 2010)
“Cheap labour pays dividends” [Phnom Penh Post] (Kunmakara 2010)
“As China’s Wages Rise, Export Prices Could Follow” (Barboza 2010)

The gist of many of these and other articles is:

“As costs have risen in China, long the world’s shop floor, it is slowly losing work to countries like Bangladesh, Vietnam and Cambodia — at least for cheaper, labor-intensive goods like casual clothes, toys and simple electronics that do not necessarily require literate workers and can tolerate unreliable transportation systems and electrical grids” (Bajaj 2010).

The previous chapter analyzed the local labor regimes required by manufacturers in Mae Sot/Thailand and Bavet/Cambodia. This chapter focuses on two corporations from an Asia regional perspective, including changes in production costs in coastal China, and the adaptation of a ‘China+1(+1)’ sourcing strategy. I also look at implications of US/EU-China trade frictions. Equally important, these are corporations that are ‘upgrading’ in global supply chains, where they aim to capture more value in different nodes of the production process, evolving from simple assemblers to designers, brand manufactures, retailers and the like. Despite this ‘upgrading’ both companies in
this study continue to rely on surplus/vulnerable labor in peripheral Asia. Thus, while offering employment to those in need due to lack of, or in many cases elimination of socio-economic opportunities in Burma and Cambodia, there is no indication that it means work conditions for workers employed in more recently opened factories has improved from conditions in longer established facilities.

This chapter looks at global production patterns for two major corporations Top Form in Mae Sot and Kingmaker in Bavet. In the early 2000s Top Form became the world’s largest manufacturers of brassieres. Kingmaker is one of the world’s leading manufacturers of relatively high end branded footwear, producing for the likes of Clarke’s, Skechers, Timberland and others. The purpose of these case studies is to demonstrate Mae Sot and Bavet’s links with the region and global production. In doing so it shows capital that is mobile yet often embedded in production networks within particular countries. For instance, in this case of Top Form China and Thailand are among the world’s leading sources of brassieres, and Top Form’s strategy for growth is to maintain production in these countries. Kingmaker’s production is concentrated in China and Vietnam, and the Cambodia factory is a satellite of its Vietnam operations.

In many ways Top Form and Kingmaker are mirror images of one another. Both have, to varying degrees, concentrated much of their production in coastal China since the 1990s to early 2000s. More recently both have shifted production further inland to Jiangxi province of China due primarily to increasing costs and labor shortages in the Pearl River Delta. At the same time both have expanded production to GMS border areas as part of their growth strategies. Due to these and other similarities the chapter will focus primarily on Top Form to demonstrate the strategies of these two corporations.
The Top Form section is followed by a section focusing on Kingmaker to demonstrate some key differences that inform their decision to source from Cambodia rather than another GMS country or region.

Analysts have long portrayed developing countries in Asean and other regions as losing out to China in manufacturing. For instance, Walden Bello (2010a) recently wrote,

Despite brave words from [Philippines president] Arroyo and other Asean leaders, it is much less clear how their countries will benefit from the Asean-China relationship. Certainly, the benefits will not come in labor-intensive manufacturing, where China enjoys an unbeatable edge by the constant downward pressure on wages exerted by migrants from a seemingly inexhaustible rural work force that makes an average of $285 a year.

This chapter affirms Bello’s contention that trade and economic relations among China and Asean are unequal, particularly in terms of production for global markets. It also shows that China has come to dominate many labor-intensive, light manufacturing industries based largely, though certain not solely, on its low cost labor advantage. That said, a central point I forward is that China’s rural workforce is exhaustible, particularly those who migrate to coastal urban areas (see Lee C K 2007). This has rebounded in ways that is changing the sourcing strategies of many manufacturers in China. Combined, the Chinese state is attempting to break its dependence on low value added light manufacturing industries. Wage rates have increased significantly since 2006, value added tax (VAT) rebates for foreign manufacturers have decreased, and labor intensive manufacturers are encouraged to ‘go-out or go-west.’ China’s ‘unfair labor advantage’ has also generated protectionist measures in two of its primary markets, the US and EU, in ways that have led many manufactures to adopt a China + 1 sourcing strategy, i.e.
production is concentrated in China plus another country, such as Vietnam, Cambodia etc. These and other processes explored in this chapter induced tens of thousands of manufacturers to leave China since the mid-2000s. GMS borderlands have become one destination for the ‘+1’ strategy of several major Asia-based transnational manufacturers.

**Thailand and Top Form**

A majority, if not all past studies on garment and knitting production in Mae Sot have characterized factories there as sub-contractors who are ‘fly-by-night’ or ‘sweatshop’ producers searching for cheap, easily controlled labor. Top Form is certainly attracted to Mae Sot for many of the reasons identified in Chapters 2 and 3. This section offers a more nuanced picture of Mae Sot supply chain dynamics through a case study of Top Form Co. ltd, a Hong Kong-based original equipment manufacturer (OEM) manufacturer of women’s lingerie.

Top Form should not be considered a model or typical manufacturer in Mae Sot. It is likely among the 10% of exporters in Mae Sot, identified in Chapter 2, though it is also involved in OEM. It is the only company, to the author’s knowledge, that offers public corporate information since it is a publicly traded company. Top Form’s customers are prominent globally, and Top Form does not try to hide its production in Mae Sot. The manager of Top Form Mae Sot, Michael Lurer, has been quoted in international media many times over the past 3-4 years, something only top officials in the local FTI seemed willing to do in the past. According to Burmese activists

---

interviewed between 2004-2009, Top Form’s work conditions are better than the norm in Mae Sot. That said, Top Form follows many of the same patterns identified in previous chapters. Workers’ pay is deducted for accommodation, which as noted, is illegal and deflates the real wage. According to one source “Beds [provided in Top Form’s dormitory] are in a ramshackle temporary shelter made of metal sheets until builders finish a big new dorm” (Higgins 2007). Top Form has been taken to court in Mae Sot at least twice for rights violations by its workers (unjust dismissal); it lost one case. Top Form also witnessed a protest by over 2,000 of its workers in December 2009. The protest occurred on a Friday and included nearly all of the Top Form workers. It began due to workers’ claims that four security guards beat the relatives of two Top Form workers. Initially they feared the two were dead but this proved untrue. The following Monday the protest continued, but this time workers were demanding that Top Form rehire sacked workers and provide all workers with benefits entitled to them under the law (Bangkok Post 2009).

**Background Information on Top Form**

Top Form International Ltd is a Hong Kong based company that is mainly engaged in design, manufacture, distribution, wholesale and retail of ladies’ intimate apparel, mainly brassieres. Its main OEM customers include VF Corporation, Vanity Fair and Sara Lee in the US and Van de Velde in Europe. In the past it sold products under its own brand names, Meritlux and It's me, in Hong Kong and China through department stores, such as Wing On and Jusco, and China through Gujin. In 2009 during
the global economic crisis Top Form’s Brand business was eliminated. Its production peaked at 61.6 million units in 2005 (Top Form 2006:5), down to 49.4 million units in 2008 and 45.8 million units of brassieres in 2009 (Top Form 2009:5). Average selling prices showed modest increases throughout this period, reflecting the changes in product mix to higher work content products, which also explains the general decrease in production unit output on a per machine basis (Top Form 2007: 5). The number of employees peaked in 2008 at 12,836, up from 8,500 employees in 2003 (SBI 2003b), and down again to approximately 10,692 employees as of June 30, 2009 (Top Form 2008, 2009:42).

In the early to mid-2000s it seemed that Top Form was positioned to keep expanding as one of the top bra/lingerie producers in the world. In 2003 the SBI E2-Capital Group, a Hong Kong based brokerage house, noted that “Top Form’s production accounts for almost 10% of the US market” (SBI 2003a:2), and

Top Form has unparalleled muscles when dealing with some of the largest brassiere brand owners in the world. Top Form’s bra production satisfied 8% of Sara Lee’s total worldwide sourcing (the world’s largest bra/under-garment company) and 25% of Vanity Fair’s total requirement (the world’s second largest). By contrast, these two US companies (together representing 50% of the US market) accounted for roughly 10% and 58% of Top Form’s total sales. In fact, Top Form is the only bra OEM manufacturer (and the largest) in the world that is on both US giants’ supplier list thanks to its unrivalled production scale. Top Form’s scale is almost 2 times larger than its next 2 unlisted competitors, Acestyle and Clover. (SBI 2003b:3)

*Top Form’s Strategy: OEM to ODM to OBM*

In 2005, the Wall Street Journal (Fong 2005) ran a story on Top Form with the byline “Chinese manufacturer goes premium.” It centered on the notion that “…Top

---

55 Branded business remained an insignificant amount of Top Form’s portfolio. It accounted for less than 2% of the Group’s sales turnover through 2008.
Form has evolved from primarily making cut-and-sew brassieres -- simple designs easily put together by China's nimble and low-cost seamstresses. Now, its bra production is a process more akin to car assembly…” The article concluded by noting Top Form’s 17% growth in annual net profit that year. This section briefly outlines this process and strategy.

Top Form was founded in 1963 in Hong Kong as a bra sub-contractor, and has since expanded considerably. Its first overseas factory was established in the Philippines in 1979, followed by Thailand in 1988 and China in 1999. These three sites are/were positioned as top bra/lingerie producing countries for the US market from the late 1980s through 2010 (see Tables 8, 9 and 10 below). Namely, the Philippines was the top source of US bra imports from the late 1980s to 1993, Thailand has been among the top sources since the mid-1990s and in 2008 was the fourth largest supplier for the US. China’s bra production since 2001 has been explosive, dominating the market in the 2000s. In short, Top Form has been positioned among the ‘bra migration’ from Asia (the Philippines) in the late 1980s to early 1990s, witnessed the predominance of bra sourcing in the Americas from the early 1990s through the early 2000s, and took part in the resurgence and near total dominance of Asia-based producers from 2001-2002. As demonstrated in Tables 8 to 11 below, Top Form was riding, and in no small part generating, a wave of bra production expansion in China and Asia more generally. This is largely the result of the lifting of quotas on two categories of undergarments under the WTO in 2002 and China’s entry into the WTO in December 2001. This was also, perhaps, the peak of OEM producers filling massive orders to feed the rapidly expanding US bra market (see Table 7 on US bra imports from 1990-2008).
Table 7: US Imports of Bras, Dozens (millions), MFA Categories 349 and 649 (Cotton and Synthetic, respectively)


Table 8: US Imports of Bras, Dozens (millions), MFA Categories 349 and 649 (Cotton and Synthetic, respectively)

Table 9: US Imports of Bras, 1990-1999 Dozens (millions), MFA Categories 349 and 649 (Cotton and Synthetic, respectively)

![Graph showing US imports of bras from 1990 to 1999 for various countries.](chart1)


Table 10: US Imports of Bras, 2000-2008, Dozens, MFA Categories 349 and 649 (Cotton and Synthetic, respectively)

![Graph showing US imports of bras from 2000 to 2008 for various countries.](chart2)

Top Form’s business strategy is summarized by the company as (Top Form 2008:4):

At Top Form we followed our game plan laid down more than a year ago and made strategic adjustments with the objectives not only to navigate through this storm of changes [in China, see below], but to reposition ourselves for further growth with new business approaches: we continued the effort to build our EU business which resulted in the sales increase in both percentage and absolute dollar terms to partly offset the shortfall in the US business; we enhanced our product development functions to support the growth of our ODM [original design manufacturing] business, particularly with those retailer customers in Europe; we trimmed our output by downsizing our most expensive capacities in China and Thailand and at the same time started to replace the lost capacity by expanding in the low cost areas in both regions.

In 2007 Top Form noted that more retailers are sourcing directly from Asia through local buying offices, and this requires a strengthening of design capabilities and thus branching out from its primarily OEM business model (Top Form 2007). In 2008
Top Form enhanced its product development functions to support the growth of ODM business (Top Form 2008). Also in 2008 Top Form noted that its markets are changing. The 2007 economic downturn in the US impacted demand, particularly evident in the mass markets. In response to the prevailing market trends, they continued efforts to expand EU business. The EU accounted for 23% of Top Form’s total global sales during the 2007 fiscal year, an increase of 39% in absolute dollar terms, from 15% in the previous year, while US sales by comparison represented 62% in 2008, down from 75% in 2007 (Top Form 2008:6). This also reflects Top Form’s strategy of targeting high value business, particularly in the EU market where demand is less price-sensitive than the US. Furthermore, it is a reaction to trends in which retailers are globalizing and sourcing directly from Asia through local buying offices. Finally, it noted that “cost is increasingly a major factor in sourcing decisions and frequent changes in fashion contribute to short production cycles and small order sizes” (Top Form 2008:6).

Combined, this points to the necessity to change its business model and move beyond OEM.

Looking ahead, the steep deterioration in the operating environments in China and other regions in Asia [see below] presents unprecedented challenges to business, and manufacturing companies must respond to such challenges with corresponding changes in structure and business approach. At Top Form we are glad that we have, at an early stage, put in place the right strategy and that we have embarked on our action plans... We will continue to migrate our OEM operations from expensive locations to low cost and labor abundant areas. We will develop direct sales to retail customers, especially those in Europe and continue our investment of resources in product development and sales support functions. Last but not least, we will accelerate the growth of our brand business by rolling out an additional 45 point-of-sales in the next twelve months while continuing to look for strategic or equity relationships with other compatible products and brands companies, notwithstanding the M&A opportunity we recently reported. The process may take longer than we would like, but we are confident that our Group is heading in the right direction through the sea of changes. (Top Form 2007:4).
Top Form’s merchandising departments are based in Hong Kong and Shenzhen, and provide vertically integrated services through sourcing of fabrics, product development, purchasing and liaising with production sites through to final delivery. In Shenzhen Top Form has two R&D centers for product development. There designers, pattern makers and graders create and produce samples. In short, this means that they can design, test and produce in house with relatively quick turnaround. These are prominent examples of their efforts to move beyond OEM into ODM and full-package service.

A part of this expansion is the brand business. From 2004 to 2008 Top Form’s brand business was an important element in their strategic plan, they intended to roll out 45 new point-of-sales in the in 2008, mostly sales counters in department stores in Guangdong (Top Form 2008). Externally they planned to continue to develop strategic and equity relationships with companies with compatible products and brands in order to enhance their presence and sales in the China market (Top Form 2008). The most notable shift into branding was the September 2008 shareholders’ consent to conditionally acquire ACE Style Intimate Apparel Limited and three of its fellow subsidiaries. ACE Style is a

“$1.1 billion sales company founded by Andrew and Mimi Sia, is a highly respected company in the brassiere trade known for its strengths in marketing and product development. This acquisition when completed will mark a breakthrough in the Group’s pursuit of growth and new distribution channels in all markets. Top Form and ACE Style have different and complementary competitive advantages. In meshing the strengths, expertise and capacities of the two companies, it will solidify the enlarged Group as the leading supplier in the brassiere trade in terms of size, product capabilities, value-added services and diversity in global operations” (Top Form 2008: 4).
From this perspective, Top Form’s strategy is a reaction to market trends, demands from buyers and the perceived need to enter retail sales. In summary, Top Form has what can be summarized as a two pronged strategy: to move into higher value added nodes of bra supply chains, or upgrading, combined with a production shift to new ‘frontiers’ of low cost production in north-western Thailand and inland China. Viewed separately, Top Form is an example of a firm upgrading its capacity in global production networks, with a horizontal shift to labor abundant areas that could easily be considered ‘sweat-shopping’ for low cost, unorganized and more vulnerable labor. This complicates notions that upgrading entails better conditions for labor, confirming Mayer and Pickles (2008) claim, and suggesting a need to rethink the kinds of production regimes emerging along the border.

Quotas and New Markets

Production networks in the textile and garment industry have been heavily impacted by global quotas and trade frictions. Top Form’s strategy to spread production in China, Thailand and Philippines is, among other reasons, part of an effort to address trade frictions among China and the US-EU. In November 2003 the US imposed a 7.5% quota growth limit on Chinese brassieres, knit fabrics, dressing gowns and robe imports above the levels reached between September 2002 and September 2003 (Hufbauer et al 2006:29). Safeguards are a protectionist measure initiated by US textile associations,
often in cooperation with US trade unions, that seek to protect production in the Americas using US inputs.\textsuperscript{56}

It is important to note that throughout the quota period (through 2002 for certain product categories, and again from 2005 through 2008) production schedules for Top Form were largely determined by the availability of quotas rather than the production capacity of their different factories in China (Top Form 2006:5). With the expiry of brassiere quotas in 2005, it was expected that operating margins would jump from 9.9\% to 13.9\% mainly due to fully utilized capacities that helped to share fixed costs (Top Form 2007).

Trade frictions resulting from US-China and EU-China anti-dumping measures initiated in 2005 complicated Top Form’s business model, and in 2005-2006 this caused major losses for Top Form. Particularly, the vast majority of Top Form’s EU production was scheduled to be manufactured in China factories but, despite their Nan Hai plant being one of the largest EU quota holders in the country, they were unable to utilize any of the quota due to the “chaotic implementation of the trade agreement in which allocated quotas were negotiated away in settlement of the unexpectedly high level of backlog held at the various customs points in Europe” (Top Form 2006:5). This, together with the threat of an imminent embargo under the safeguard mechanism imposed by the US, meant that they were compelled during the second quarter of 2005 to reshuffle production loadings between plants in China, Thailand and the Philippines. The differing product capabilities between the plants impacted efficiency and thus output, compromising “not only our ability to make sales but also resulting in a domino effect of production delays”

\textsuperscript{56} As demonstrated in Tables 9 and 10 the steep rise in China’s production, and Asia more generally, displaces third country production primarily in the Americas, not necessarily assembly work in the US (Hufbauer et al 2006: 32).
Compounding the losses were “hefty airfreight expenses incurred during the second half of the fiscal year in clearing up the shipments delayed from the first half” (Top Form 2006:3).

The decision to diversify investment locations relates primarily to their China+1 strategy that has become a norm in the apparel business (ref). In 2005 the International Herald Tribune (Greenlees 2005) ran an article on Top Form’s strategy of westward expansion in China and its China+1 strategy, noting Top Form’s dominant position in the bra market. It stated that “Top Form's aim to balance the trade risk of relying too heavily on its Chinese factories - a strategy it has pursued for some years - illustrates a pattern that is helping to prop up the textile and apparel industry outside China, particularly in South Asia and Southeast Asia.”

*Top Form Production Networks: ‘Going West and Going Out’*

“The biggest challenge confronting us...is the rapidly deteriorating operating environment in China especially for those manufacturing companies operating in the Pearl River Delta. The steep rise in labor costs, reduction of VAT refund on exports, shortage of labor, shortage of energy supply, stepping up of environmental requirements etc., are all heavy burdens to our cost efficiency” (Top Form 2006:4).

In 2008 Top Form operated four factories in China. One of its two Shenzhen factories primarily produced for Top Form’s original brand, MX Lingerie. The other Shenzhen factory, the first one established in China, produces mainly for the European market. The Nan Hai, Guangzhou factory counts about 50% of its output for the US market. The largest and newest China factory is in Jiangxi province (See Figure 20 below), established in 2002 coinciding with the elimination of two quota categories for
bras under the WTO; in 2009 the Jiangxi factory contributed 23% of total global output. Most of the orders from this factory are for the US market. In Thailand Top Form had three factories in 2008, two in the Bangkok vicinity (Ayutthaya), one of which closed in 2009, and one in Mae Sot, established in 2004, which has been expanding. The Thailand factories produce primarily for the US market. In the Philippines Top Form has one factory, the smallest in its production network, with 20% of production for the European market. In 2009, 58% of production is in China, 35% in Thailand (up from 31% the previous year) and 7% in the Philippines. This has changed from 50:42:8 in 2002 (SBI 2003).

Figure 21: Location of Jiangxi Province in the People's Republic of China


Orders requiring short lead time and more complex designs are generally manufactured in China, while larger orders with simpler designs are manufactured in Thailand and the Philippines (SBI 2003). In terms of production output costs, “Thailand is approximately 20 percent higher and the Philippines is approximately 30 percent
higher than China," according to Michael Austin, chief financial officer of Top Form (Greenlees 2005). Furthermore, productivity is higher in China. Workers at Top Form's factories in China produce approximately 30 to 35 units each per day, compared with 25 in the Philippines and 20 in central Thailand (SBI 2003a). Meanwhile, minimum wages in China are substantially lower than either central Thailand or the Philippines (Greenlees 2005). Low wages in Mae Sot help make their Thailand operations feasible, even when accounting for higher transport costs.

Lower costs in China are enabled primarily by Top Form’s move from coastal Shenzhen and Guangzhou to Jiangxi province beginning in 2002, where minimum wages are roughly half that in coastal cities. In Thailand, Mae Sot became a part of Top Form’s strategy to continue to move "from expensive locations to low cost and labor abundant areas" (Higgins 2007), through “the expansion of existing facilities in the low cost regions of both China and Thailand...” (Top Form 2009:2). Mae Sot operations commenced after the Jiangxi plant was running at full capacity.57

Brassiere manufacturers require skilled workers with little automation. It usually takes approximately six months to train a worker, so low worker turnover rates and a steady supply of labor is important in maintaining high operational efficiency. As opportunities for employment in higher wage sectors and segments of the textile and apparel industry increased in Guangzhou and Shenzhen, labor turnover tended to be higher for companies like Top Form (SBI 2003a). Thus, the shift to Jiangxi and Mae Sot was strategic for its low cost and perceived lower labor turnover. Wage in bra assembly

57 This is also phrased as “We continue the repositioning of our production facilities to lower cost areas where people need employment and the operating environment is favorable for future growth” (Top Form 2009:5).
is significant, accounting for up to 16% to 25% of production cost with material cost representing another 50-60% of the total (SBI 2003a, Top Form 2007). Benefiting from the improved scale and cheaper labor costs in the Jiangxi plant (40% of that of Shenzhen at c.RMB400-450 per worker per month), Top Form management expected gross margins would improve by an additional 3 to 5 percentage points.

Top Form’s operations in the Pearl River Delta, and to a lesser extent the Bangkok vicinity, became problematic by the mid-2000s. Top Form was fairly well prepared for these changes with its expansion to Jiangxi and Mae Sot beginning in 2002, yet there were a number of negative impacts on their business model. In 2006 minimum wages in Guangdong Province

“have recently surged again by approximately 20% above the scheduled statutory increases over the previous eighteen months. A reduction in export tax rebate on textile and garment products will almost certainly be implemented in the near future which in effect will elevate our China cost. The continuing weakness of the U.S. dollar against many Asian currencies remains a concern and we are mindful of the effects that an economic downturn, particularly in the U.S., could have on consumer confidence and thus our business in that market” (Top Form 2006: 7).\(^{58}\)

Specifically, statutory minimum wages in Top Form plants in Shenzhen increased by 17% on July 1, 2006, in Nan Hai by 20% on September 1, 2006, and by 36% on January, 1, 2007 in the Longnan plant located in Jiangxi Province (Top Form 2007:3). Minimum wages in their Nan Hai plant increased again by 12% on April 1, 2008, in Longnan by 7% on January 1, 2008 and in Shenzhen by 8% on July 1, 2008 (Top Form 2009:7). Top Form stated that “Significant increases in minimum wages in our

\(^{58}\) Top Form found the operating environment in the region stabilized as a result of governmental initiatives in China aiming to help its industries in the global economic crisis, including a freeze on minimum wage levels and an increase in the tax rebate on imported materials for processing and exports of textile and garment products. The currency appreciation of the RMB and Thai Baht against the US dollar eased during the year, most notably during its second half of 2008. (Top Form 2009).
manufacturing locations in China, labour and power shortages, currency appreciation and, from 1 July 2007, a 2% reduction in export tax rebate have all contributed to the ongoing deterioration of the operating environment in the Pearl River Delta.

Combined, the RMB appreciated by some 10% against the US dollar from 1 July 2007 to 30 June 2008” (ibid). In Thailand, the military coup which took place in September 2006 and subsequent civil unrest had virtually no impact on the operations of their plants, but the strong Thai Baht resulted in virtually a 20% year-to-year increase in operating cost in Thailand in 2006-2007 (Top Form 2007:3).

These changes led to a reshuffling of their production locations and a number of layoffs. In China, the workforce of their two plants in Guangdong was trimmed down by about 15% through layoffs. At the same time, they increased the workforce in the Mae Sot plant. In Thailand, “labour shortages in the vicinity of Bangkok resulted in labour-intensive operations being highly inefficient and uncompetitive” (Top Form 2008:6). Top Form also found “the dense clusters of manufacturing industries around Bangkok” to be problematic (Top Form 2005:6). In 2008 they closed down one plant in Thailand completely (in Ayutthaya) and reduced the workforce of the remaining plant in central Thailand to 700 workers. At the same time, they continued expansion of the new factory in Mae Sot “where labor supply is more accessible” and increased the workforce from 1,400 in 2007 to 2,100 in mid-2008 (Top Form 2008:6). Mae Sot is part of the strategy

---

59 This refers to a reduction in the tax rebate from 13% to 11% on imported materials for processing and export of textile and garment products.

60 SBI (2003a:page#) reports that the existing manufacturing facilities are in Shenzhen and Nanhai while the new plant is located in Jiangxi for several strategic reasons: The monthly wage in Guangzhou and Shenzhen ranges from RMB700 to RMB1,300 per worker whereas wage in Jiangxi only costs around RMB450 per worker. Most workers in Guangzhou and Shenzhen come from other provinces and require accommodation while workers in Jiangxi are locals and do not require accommodation. Thus, setting up a new plant in Jiangxi can save staff costs and other related expenses.
to “provide fall back in case our production capacity in the PRC is compromised due to the trade disputes between the PRC and her trading nations” (Top Form 2005:6).

In China, their most cost effective plant in Jiangxi accounted for 26% of global output in 2007, up from 24% the previous year due to our cutting back the capacities of the more expensive plants in Guangdong province. In Thailand, as a result of the retrenchment and factory closure in central Thailand, the operations in Mae Sot accounted for 16% of global output in 2008, up from 14% in 2007. (Top Form 2008:7). Combined, the Mae Sot and Jiangxi factories, or those located in areas with surplus labor, accounted for 42% of Top Form’s total global production by mid-2008. This shift took place over the course of five years, with the Jiangxi plant opening in 2002 and fully operational in 2004, and the Mae Sot plant opening in 2004, reaching full production in 2007.

The global economic crisis beginning in late 2008 led to Top Form’s scrapping its venture into branding and retail. In the 2006 and 2007 Annual Reports, Top Form noted that “The mounting challenges in our OEM trade prompted the need to accelerate the Group’s strategic move to expand the brand business through M&A (Top Form 2007:3).” However, during the crisis it was decided by all parties to terminate the Share Acquisition Agreement with ACE Style Intimate Apparel Limited (Top Form 2009: 2). This was part of a decision to terminate its Brand division altogether (Top Form 2009). This decision leaves Top Form positioned as an OEM producer with design capacity and a production base increasingly concentrated in Mae Sot and Jiangxi. This is well short of ambitions for ‘upgrading’ initiated in the early 2000s, but it is clear that the horizontal or downward
move to labor abundant provinces has been a central part of their strategy from at least 2002 through 2009.

**Kingmaker Footwear Co Ltd in Bavet**

Kingmaker Footwear is a shoe manufacturer, as such it is currently outside the scope of the ILO’s Better Factories program in Cambodia. In 2009 Better Factories had one pilot project in footwear underway (interview, Chea Sophal, Better Factories Cambodia, November 12, 2009). Mr. Chea said that it is possible to extend the project beyond garments, especially as a way to promote the Better Factories and bring in new members as part of the self-sustainability initiative leading up to the ILO’s leadership withdrawal at the end of 2010.61

Kingmaker is a Taiwan-based publicly-traded corporation. Kingmaker was founded in 1980 as a two-production line operation near Taichung, Taiwan. It initially specialized in footwear for the U.S. discount market. In 1994 it was producing branded footwear on eight production lines for North American trading companies. By 2009 it had 40 production lines in China, Vietnam and Cambodia, with subsidiaries in Hong Kong.62 Over the years the company has shifted to higher quality, branded products. It’s main customers are Skechers, Clarks, Stride Rite, Elefanten and G-Star, which in aggregate comprise approximately 94.65% of revenue (Kingmaker 2009:17). Revenue

---

61 At the time of the interview it was not yet clear what form the Better Factories program would take after the ILO steps out of the leadership role. Stakeholders were considered defining it as a public-private partnership, or as a foundation, depending on the legal status and source of funding. It was clear that the project would run on a cost-recovery basis, essentially charging buyers for assessments, while receiving core funding from GMAC, the government, trade unions, buyers and international agencies.

62 In 2007 the Group operated 38 production lines of which 11 were located in Vietnam, 2 in Cambodia, 9 in Zhongshan and 16 in Zhuhai (Kingmaker 2007:12).
contributed by the US market increased slightly to approximately 50.37% in 2009 (from 2008: 49.59%; 2007:53.78%), and shipments to European countries dropped to approximately 41.90% of total revenue in 2009 (2008: 44.78%; 2007:41.0%) (Kingmaker 2009:16). The Group, including its subsidiaries in Hong Kong, Taiwan, China, Vietnam and Cambodia employed approximately 14,000 people as at March 31, 2009, down from roughly 15,000 in March 2008 (Kingmaker 2009:22; Kingmaker 2008:12), and far from its peak of 20,000 in 2005 (Toh 2006). 63 In November 2009 Kingmaker-Cambodia employed 1,200, down from its peak of 2,200 (interview, Kingmaker line workers, November 3, 2009). Following is a brief summary of Kingmakers production structure:

In 1988 Kingmaker opened its first offshore manufacturing site in Zhuhai, Guangdong, China and an office in Hong Kong. An additional production facility was established in Macau in 1993. The Group currently manages facilities in China, Vietnam and Cambodia to cater for the US and European markets. In the PRC, the Group operates a total of 26 production lines in Zhuhai, Zhongshan and Jiangxi, turning out a total of approximately 14 million pairs of shoes annually. In order to maintain its comparative advantage, the Group has moved forward with its expansion plan to establish facilities further inland, the new manufacturing facilities in Jiangxi Province commenced operations in the first half of 2009. With the new facilities in place, the Group’s annual capacity will increase by approximately 7.89%, or approximately 1.6 million additional pairs, by 2010. (http://www.kingmaker.com.cn/about_01.html, accessed March 11, 2009)

In 2000 production commenced in Vietnam, coinciding with the closure of a factory in Macau. In January 2007 its newest operation began in Bavet. The Vietnam and Cambodia plants produce primarily for the EU, with limited production for Japan.

63 There are several explanations for the steep decrease in employees. One is the imposition of anti-dumping measures as discussed later in the chapter. The other is the Kingmaker Group’s implementation of lean manufacturing systems in the mid-2000s. Kingmaker (2007:13) claims: “Apart from diversifying production bases to locations of cheaper operating costs, the Group will continue to improve upon the already proven lean manufacturing system that have been implemented to improve production efficiency and shorten the production leadtime to reduce transportation cost. In addition, the upgrading of facilities will help the Group retain skilled experienced labor and improve their productivity in a better working environment.” Essentially, lean production systems require fewer workers due to higher productivity.
while US production is primarily in the China factories. According to Kingmaker line workers interviewed in 2009, 100% of production in Cambodia in 2009 is for Clarks.

In many ways Kingmaker’s geography of production reflects that of Top Form. Both companies have moved further inland in China, due primarily to rising wages and labor shortages in coastal regions. Kingmaker finds

“Labor remains an important cost factor in footwear production…the upward trend in staff salaries and wages in the PRC, amid increasing minimum wage requirements, has dragged down the Group’s profitability…The Group has moved forward with its plans to set up facilities in Jiangxi Province, the PRC, and Cambodia in a bid to make the necessary advance investments to enhance supply reliability and economies of scale” (Kingmaker 2009:13).

Kingmaker, like Top Form, frequently reaffirms its stakeholders that “…the Group can maintain its competitiveness by moving up the value chain while adopting stringent cost-control measures” (Kingmaker 2009:9). Another similarity is that Kingmaker is seeking inroads to China’s consumer market through acquisition of trading, distribution and retailing businesses in Hong Kong and the PRC. In summary, both Kingmaker and Top Form are among the most globally prominent manufacturers in their respective product categories. Both have shifted their production base away from coastal China, in large part due to increasing costs of labor. Both have a strategic focus on capturing more value added in value chains and to do this has shifted production to border areas in the GMS.

There are important differences among the two companies. The geographies of sourcing of both companies demonstrate how particular products become differentially embedded in certain countries. Whereas bra production for the US market is dominated by suppliers based in China, Indonesia and Thailand, footwear manufacturing is
overwhelmingly Chinese dominated, with rising exports from Vietnam (See Figure 12). China accounts for an 86.8% share of total US footwear imports during 2008 (Kingmaker 2009:19; see Figures 12, 13). In the EU China holds a lower proportion of market, yet it is still significant at roughly 60%. Kingmaker has followed and generated these patterns, producing almost exclusively in greater China from the 1990s up to 2000 when it opened its first facility in Vietnam. The Vietnam plant is part of the China+1 strategy, already elucidated in the Top Form case, yet this proved insufficient for Kingmaker. In October 2006 the EU imposed anti-dumping measures on footwear from both China and Vietnam, leading to Kingmaker investing in a facility in Cambodia. The factory in Bavet is, essentially, a satellite of the factory in the HCMC vicinity. This has become an important aspect of Kingmaker’s strategy to diversify, with factories in Vietnam and Cambodia complementing rather than replacing the Mainland factories. 64

With production bases in the Mainland, Vietnam and Cambodia, the Group now enjoys a much greater flexibility that is essential for the management to plan strategically and mitigate potential political and market risks, including taxes and quota restrictions. This multi-location manufacturing strength also enables the Group to tweak more sharply its market penetration initiatives into the US and Europe. The facilities in Vietnam and Cambodia are particularly instrumental in tapping the European market. (Kingmaker 2008:10)

64 The EU-oriented Vietnam and Cambodia factories are geared toward “tailormade manufacturing solutions for high-end products to branded customers” (Kingmaker 2008:PAGE). These capacities are ‘in addition to’ Kingmaker’s provision of its more established ODM and OEM services.
Table 12: US Footwear Imports, Top 10 sources, US$, Millions

Source: USITC (2010), data for product category 64 (all footwear)

Table 13: US Imports of Footwear, Top 10, Excluding China and Total Imports, US$, millions

Source: USITC (2010), data for product category 64 (all footwear)
Table 14: EU-27 Imports of Footwear, Top 10, in Million Euros

Source: Eurostat (2010), data for product category 64 (all footwear)

Table 15: EU-27 Footwear Imports, million Euros

Source: Eurostat (2010), data for product category 64 (all footwear)
Anti-dumping Measures and Cambodia

In October 2006 the EU imposed 10% and 16.5% duties on footwear imported from Vietnam and China, respectively. This followed initial duties of 4.8% on mainland products and 4.2% on Vietnamese goods earlier in the year. The European Commission (EC) was acting on complaints from European manufacturers who argued they were unable to compete with shoes from low cost producers in Vietnam and China. The latest complaint was filed in 2008 by the Italian footwear producers' body. Table 15 demonstrates that footwear, unlike many garments including bras, are still produced and assembled in relatively large quantities and for high values in the EU. Thus, protectionist efforts are critical factors in global sourcing. In December 2009, after an over year-long review, the EC decided to extend the tariffs for another 15 months. In March 2010 a European court rejected appeals against the tariffs from Hong Kong and China-based shoe manufacturers, while Beijing launched a dispute at the WTO in February 2010, saying the tariffs are illegal (Reuters 2010).

65 EU trade commissioner Peter Mandelson proposed anti-dumping duties of 19.4 per cent on Chinese shoes and 16.8 per cent on Vietnamese shoes (Toh 2006).

66 Customers agreed to increase product prices 4.5 percent to compensate Kingmaker's start-up costs in Cambodia (Ho 2006).

67 An October 2008 ruling by the European Commission found that the legal conditions for opening the review on anti-dumping measures were met, according to the basic antidumping Regulation. Thus, the Commission found that it had an obligation to open a review. Member States were consulted during the advisory anti-dumping committee in September 2008; 15 opposed the proposal by the Commission while 12 supported it. However, despite this advisory vote, the Commission's legal obligations remain, and it went ahead with the renewal of duties on footwear from China and Vietnam. (European Commission 2008)

68 European Trade Commissioner Karel De Gucht said that a free trade agreement with Vietnam, which he was visiting to discuss opening negotiations, would "greatly contribute to resolving once and for ever this pending matter" (Agence France-Presse 2010). Having failed to launch negotiations on a free trade agreement with the Association of Southeast Asian Nations as a whole, the European Commission is now seeking bilateral talks with the 10 members of the bloc.
Adding to export costs from Vietnam is the EU’s 2008 decision to remove Vietnamese footwear from the Generalised System of Preferences (GSP) as of January 1, 2009.\textsuperscript{69} Under the GSP certain developing countries qualify for lower import tariffs. The result is higher EU import duties that are added to the existing anti-dumping duty of 10% on 33 categories of Vietnamese leather-upper footwear. Under the GSP duties were 3.6% for most footwear. With the removal of GSP footwear duties will increase by 3.5-5.5% on average. Duties on leather shoes went up to 8 percent while those on canvas footwear went up to 17 percent (VOV News 2009).

In 2006 Kingmaker closed two factories in China due to the imposition of duties (Toh 2006). This was primarily the result of loss in orders from its biggest customers at the time, Timberland, who accounted for 37% of Kingmakers turnover through half of 2006 (Toh 2006). Kingmaker and Timberland did not reach a deal to share the cost of the duties. Rather, Timberland, like many other companies, pulled orders from China and Vietnam and shifted them to countries without anti-dumping measures, including Indonesia and Thailand. These anti-dumping measures led to the opening of the Kingmaker plant in Bavet. In mid-2006 Kingmaker announced its plans for a HK$30 million (~$3.8 million) investment to set up a new factory in Cambodia and so avoid European Union anti-dumping measures (Ho 2006). The Group opened the new factory in Cambodia near to the existing plant in Vietnam for more efficient logistical support and arrangements of orders to Europe. This logistical efficiency is largely possible due to

\textsuperscript{69}“The European Commission’s office in Vietnam explained that if GSP-covered imports from a country such as Vietnam represent 15% of all imports into the EU from the total number of GSP beneficiaries, then that country’s sector is competitive enough not to need preferential treatment. Vietnam’s GSP-covered exports of shoes represent an average of 19.9% of all EU GSP shoe imports for the two years to 2006. GSP-covered footwear represents an average of 49.1% of Vietnam’s GSP-covered exports, marginally within the framework that the EU uses when deciding whether to remove a country from GSP status.” (Xinhua 2006).
the special economic zone where Kingmaker is located in Bavet (the Manhattan SEZ), and a bi-lateral border crossing agreement between the Cambodian and Vietnamese government on shipping in and out of the SEZ to and from Vietnam (see Chapters 5 and 6). It is based on these quite tenuous set of circumstances that the Manhattan SEZ has managed to attract investment from Kingmaker.

**Conclusions**

The ‘China price’ – the lowest price possible – has been possible only because of low-cost labor migrations into the Yangtze and Pearl River Deltas, but their effects have recently rebounded in ways that now threaten to destabilize social and economic conditions across these regional production centers (Arnold and Pickles 2010). As a result, China has embarked on a triple policy to weaken its dependence on the ‘China price’ and reduce the dependence of regional economies on migrant labor flows—‘go-west, go-out, go-up.’ A result is another phase of restructuring that entails the creation of new forms of regional production networks organized around decentralized and border economies aimed largely at export markets. Mae Sot and Bavet are both participating in these new geographies of low-cost production in Asia.

This chapter has demonstrated that a complex set of relations are factored into manufacturers sourcing strategies. It shows that China remains the manufacturing base for two major corporations in garments and footwear and this is certainly the case for most producers in these sectors. But, localities such as Mae Sot and Bavet are being integrated into regionally extended production logics. Previous chapters have demonstrated the labor regimes deemed necessary for these mobile firms. Going
forward, there is another layered ‘necessity,’ that of SEZs to ‘capture’ producers who
deem Thailand-Cambodia production sites as largely auxiliary to China factories.

The two cases show two very different degrees of embeddedness in global
production networks. Mae Sot offers producers in Thailand an opportunity to maintain
garment assembly in (at least partial) full-package production networks within the
country, due to more established sourcing networks and its many years experience in the
country. That Thailand has maintained a top position in global brassiere sourcing over
the course of several decades reinforces these patterns. Thus, I offer a slightly different
picture than Doner (2009), in that backward links are maintained in country. Despite
Thailand’s perceived competitiveness in certain factors, it is still struggling to maintain
basic garment assembly production. Labor productivity is lower in Thailand than China,
and costs are higher. Due to these and other factors producers such as Top Form have
relocated to migrant labor abundant areas such as Mae Sot where wages are a fraction of
those in central Thailand.

In the case of Cambodia maintaining investment in footwear is even more
tenuous. Kingmaker’s operation in Bavet is a satellite of its production base in Vietnam.
It is a production strategy based almost entirely on tariffs from the EU market. In this
sense Bavet is emerging as a ‘true’ cross-border production network, in which all inputs
are shipped in from Ho Chi Minh City, assembled in Bavet, then shipped back across the
border and to sea from the Saigon port. In this scenario the ADB’s economic corridors
take on a more immediate role. Clearly, if Cambodia continues to industrialize in export
sectors it will never be a major player like Vietnam and Thailand. It must, according to
the sub-regional framework or division of labor, cooperate with neighboring countries to
share excess or tariff/quota driven spill offs from the sub-region. How the Cambodian state is managing these transitions in border SEZs is the focus of the following two chapters.
Chapter 5

Economic Corridors, SEZs and Border Development Nodes

Introduction

Several studies have critically engaged the role of states in the cross-border strategy emerging in the Indonesia-Malaysia-Singapore Growth Triangle, and these have tended to focus on the broader implications for how neoliberalism is conceptualized (see Ong 2000; Sidaway 2007; Sparke et al 2004; see also Ong 2008; Sparke 2002; Walker 2009). In their work on the ‘Growth Triangle’ Ong, Sparke et al, and others interpret SEZs as zones of exception in which the strong state withdraws to allow forms of economic autonomy that enhance profitability. These studies have suggested that the ‘Growth Triangle’ is not so much a question of market versus state, or a transition “from state to market”, but that the creation of markets is occurring in settings where the state is sometimes very strong while in other areas it is nearly absent, creating a spatial variability in state powers and ‘reach’ that is useful in maintaining flexibility for capital (Ong 2000; 2008).

This notion of neoliberal exception is an important contribution to understanding the geographies of Asian production. In this and the following chapter I analyze a state, Cambodia, that is highly flexible, rather than strong or weak. It is a case of a flexible state restructuring and adapting to regional and global forces in which regional agencies, new governmental actors, and emergent discourses are articulated with broader regional and trans-national development strategies. In particular, the ADB’s Economic Corridors
are a new spatial practice that is a manifestation of the GMS Project’s central discourse of the Three Cs: connectivity, competitiveness and community. To tap into this framework the Cambodian state has created new government agencies, the Cambodia Special Economic Zone Board, and ‘One Stop Service Centers’ in each of the new SEZs. It has also agreed on a bi-lateral transport agreement with Vietnam for shipping between Ho Chi Minh City and the Bavet SEZs. In the process firms including Kingmaker have initiated production and export from one of these border SEZs, thus connecting Cambodia with the new Asia regional division of labor identified in earlier chapters.

On the surface it appears that Cambodia is following global SEZ trends. Almost all SEZs in Cambodia are privately developed and they offer one-stop services to reduce bureaucratic and other state inefficiencies. By locating near Vietnam and Thailand they address the problems of high electricity and logistics costs. Furthermore, they offer an environment where employers implement a new spatial regulation of labor. Broadly speaking, the Cambodian state is facilitating the expansion of sub-regional and globalized production.

The chapter begins with analysis of the ADB’s framework for how states ‘should’ act as facilitator of national and sub-regional development. Focus then shifts to how Cambodia implements SEZs and the implications for Bavet. In Chapter 6 I show that Cambodia, acting in the same realm, SEZs, is capable of playing a very different role to pursue interests of profit and power.
The ADB’s GMS: Economic Corridors and Border Development Nodes

The first two projects under the ADB’s GMS were the Phnom Penh-Ho Chi Minh City highway construction and the East West Economic Corridor (interview, Ronald Butiong, ADB, August 21, 2009). Yushu Feng of the ADB said that the East-West Economic Corridor was the first implemented because in 1992 the Southern corridor was not possible due to Cambodia’s political problems (interview, date, 2009). Additionally, the ADB wanted to support Laos and connect it with Da Nang in Vietnam because it is a landlocked country. This relates to the ADB’s focus on poverty reduction. The East-West corridor, from the perspective of business, is largely useless. One person noted ‘it connects nowhere to nowhere,’ compared to the Southern corridor that connects major economic and industrial centers Bangkok and Ho Chi Minh City. In short, the East-West corridor is a political decision to bring Laos into the project.

Researchers at the ADB, Institute of Developing Economies-JETRO (Japan External Trade Organization), the Asean Research Institute for Asean and East Asia, ADB and others have conducted in depth studies on the economic corridors and their objectives, expected and current outcomes, and what is preventing them from becoming ‘fully-fledged’ economic corridors. These studies utilize theoretical frameworks that mark a clear delineation between the market and state by maintaining that the ‘correct’ role of the state is economic facilitator.

A central purpose of the GMS Program is to implement institutional conditions which facilitate the economic growth of the area and to foster geopolitical stability. ADB programs do require the active participation of member countries in implementing projects and, as a result, the ways in which specific projects are implemented are
importantly shaped by the structures of state power and the specific conditions in each place. The ADB’s GMS is largely a physical infrastructure development project (see Figure 21). It is also about integrating the GMS in Asean and Asia regional trade and production networks. This is particularly important for Cambodia, Laos, Burma and Vietnam, the more recent Asean member states. More broadly, it is one component of the ‘new Asian Regionalism’ promoted by the ADB among other interests (ADB 2008c), that envisions greater intra-Asia trade and investment, thus overcoming dependence on US/EU exports, while facilitating deepening liberalization, trade and investment with the other regions.

Figure 22: GMS Road Transport Network, 1992, 2006, 2015

Source: ADB (2007)

Economic Corridors

---

70 In 2003 Burma, Cambodia, Lao PDR, and Thailand agreed to establish an economic cooperation initiative called the Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy. It is a sub-regional economic cooperation program complimentary to the ADB’s GMS Program.
The economic corridors were first adopted in 1998 at the 8th GMS Ministerial Meeting. The economic corridors are aimed at:

1. Extending the benefits of improved transport links to remote and landlocked locations in the GMS, which have been disadvantaged by their lack of integration with more prosperous and better located neighboring areas;
2. Providing a spatial focus to GMS activities, with the backbone, growth centers and nodal points serving as catalysts to the development of surrounding areas [including border growth nodes such as Mae Sot and Bavet];
3. Opening up many opportunities for various types of investments from within and outside the GMS;
4. Enhancing the impact of sub-regional activities through the clustering of projects;
5. Serving as a mechanism for prioritizing and coordinating investments among neighboring countries; and
6. Generating tangible demonstration effects.

When the economic corridors were first implemented in 2001 there were five corridors, by 2007 there were nine (see Figures 22, 23). Following is a list of the five original corridors:

a. North-South Economic Corridor connecting Kunming, China and Bangkok, Thailand. This has now been extended through southern Thailand to the Malaysia border.
b. North-South Economic Corridor connecting Kunming with Hanoi, Vietnam.
c. The East-West Economic Corridor connecting Da Nang, Vietnam and Mawlamyine, Burma.
d. The Southern Economic Corridor connecting Ho Chi Minh City and Bangkok via Phnom Penh. (Plans are underway for this to connect to Yangon, Burma via the deep sea port planned for Dawei, Burma).
e. The Southern Economic Corridor connecting Quy Nhon, Vietnam and Bangkok (via Siem Reap, Cambodia). (This has been extended to Dawei, Burma).

If one looks at the boxes designating economic corridors in the 2007 Map below, it is clear that little territory in the GMS is left outside of the economic corridors. The ADB has since stopped using rectangles to designate corridors, instead using solid lines as shown in Figure 23. However, there is little difference between this recent economic

---

71 In the past year, the SEC scope has expanded to connect Ho Chi Minh City with Yangon, Burma via Phnom Penh and Bangkok, and from Yangon to India. Accordingly, it is now labeled the Southern Industrial Corridor or the Mekong-India Corridor.
corridor map and the Map of the GMS road network above (Figure 21). This highlights a central dilemma for the ADB, that the economic corridors have not progressed beyond an infrastructure project.

The economic corridors are a primary means for Thailand, Cambodia and other GMS member states to gain control of border regions, particularly ‘illegal’ border trade that has long been the lifeline of border-based insurgent groups. Trade facilitation and infrastructure development programs implemented under the auspices of the ADB’s GMS program have assisted states’ efforts to gain control of ‘vague’ areas. They are also key elements addressing uneven development within national boundaries and more broadly in the sub-region.

The economic corridors are promoted as ‘bounded’ ways of expanding sub-regional cooperation stemming from infrastructure projects to fully fledged economic corridors. To date, road networks are largely complete (with the important exception of Burma, see Chapter 7), and are complimented by ongoing implementation of the Cross-Border Transport Agreement and the Strategic Framework for Action on Trade Facilitation and Investment. These projects facilitate the movement of goods, people, and vehicles along the corridors. For instance, goods can now be shipped from Mae Sot on the Thai-Burma border to Vietnam with a single customs inspection in less than four days. A few years ago the same trip would take several weeks. These projects have helped to establish an operational transport corridor. In summary, the development of an economic corridor is a complex and long-term process for the ADB and member states, and the transformation into fully-fledged economic corridor are at beginning stages.
The primary policy framework of the economic corridors is the cross-border transport agreement (CBTA). The CBTA is a comprehensive multilateral instrument that covers relevant aspects of cross-border transport facilitation, including single-stop/single-window customs inspection; exchange of traffic rights; and transit traffic regimes (Goswami 2009). Ishida (2008) summarizes the delays in implementing the CBTA. First, the CBTA documents are known to government officials who participated in negotiations, but officials at border check points do not understand them. Second, the
CBTA was signed by the ministers of transportation, but sectionalism has arisen since the process excluded ministries such as taxation, health, agriculture and homeland affairs.

**Figure 24: Economic corridors in 2007**

Source: ADB
Third, there are numerous contradictions between the CBTA and domestic regulations. Seemingly simple facilities such as common control areas, a physical space used by two countries at the border for inspection, have not been set up throughout most of the economic corridors. To date the only single-stop and single-window inspection established are at the Lao Bao, Vietnam—Dansavan, Laos border (single-stop) and the Mukdahan, Thailand—Savannakhet, Laos border (single-window) along the East-West Economic Corridor.

Shipping from Bangkok to Hanoi is a primary interest for many Japanese corporations, in particular auto companies who wish to transport Thailand-produced auto parts for vehicle assembly in Hanoi. It is a primary reason the Japan External Trade Organization (JETRO) focuses attention on this and other corridors. Since the opening of the Second Friendship Bridge over the Mekong at the Thai-Laos border, travel time from Bangkok to Da Nang has been reduced to between three and three-and-a-half days (JETRO 2008). In contrast, shipping by sea from Bangkok to Viet Nam takes between five and ten days since there are few direct cargo lines from Bangkok to Hanoi (ibid). For example, a ship loaded in Laem Chabang, Thailand’s largest port, is usually un/re-loaded in Hong Kong, and then another ship from a feeder line conveys the cargo to Hai Phong, Vietnam. Despite the time advantage of shipping by road from Bangkok to Hanoi, the costs are much higher than the traditional sea-route. Table 16 below shows that shipping costs by land are nearly double those of sea transport. Sea transport including transshipment cost represents about 30 percent of the transport cost but represent more than 70 percent of transit time (JETRO 2008). Trucking cost represents around 15 percent
of the total transport cost. JETRO found that administrative formalities take up to 36 percent of total transport cost from Bangkok to Hanoi via the maritime route.

**Table 16: East-West Economic Corridor vs. Maritime Route (between Bangkok and Hanoi)**

<table>
<thead>
<tr>
<th></th>
<th>EWEC</th>
<th>Maritime</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distance (km)</td>
<td>1,649</td>
<td>2,742</td>
</tr>
<tr>
<td>Time (hrs)</td>
<td>74</td>
<td>213</td>
</tr>
<tr>
<td>Cost (TEU)</td>
<td>$5,500</td>
<td>$2,500</td>
</tr>
</tbody>
</table>

Source: Japan External Trade Organization (JETRO) (2008)

Note: TEU – twenty-foot equivalent unit

JETRO (2008) found several reasons for the high land shipping costs from Bangkok to Hanoi. First, at present the movement of transit goods along the EWEC is only in the direction of Vietnam for goods originating in Thailand; there is little or no movement of goods originating in Vietnam destined for Thailand. According to a representative of Schenker (Thai) Company, this adds 50% to the cost (interview November 27, 2009), while JETRO contends that moving empty containers nearly doubles shipping costs (JETRO 2008). In addition, right-hand-drive vehicles are used in Thailand, and left-hand-drive vehicles are used in Laos and Vietnam. This means that trucks must be trans-loaded or swung over\(^{72}\) at the Mukdahan-Savannakhet border to left-hand driven trucks. The Thai trucks must then return to their origin without cargo, while those that arrive from Vietnam must return empty to the Mukdahan-Savannakhet border after delivery of the goods to their destination (JETRO 2008). Mutual entry is permitted into Lao PDR for Thai and Vietnamese trucks, but truck entry is prohibited between Thailand and Vietnam. Due to the absence of inland container depots in Mukdahan-Savannakhet, goods are brought to the border as loose cargo, then transferred to trucks

\(^{72}\) Swinging cargo prevents them from lolo (lift on-lift off), and is the preferred method.
from the bordering country and, if destined for ports, transported to them and then loaded into containers (ibid).

Another major cost is unofficial payments at borders. Corruption in public service along the highway is a major concern of logistics companies. JETRO found that the primary problem is the uncertainty of the size of those payments rather than their general existence. These findings were reinforced in interviews conducted during fieldwork in Thailand and Cambodia. One informant noted that Lao officials, fearful that their country is being passed over in sub-regional development, see rent seeking from transport as their only chance to benefit from GMS initiatives.\(^73\) This, the industry official claimed, induced many to use sea or air routes rather than land. JETRO contends that if the unofficial payments are known in advance, then the cost could be transferred to customers. But without this predictability in payments, the costs are necessarily being absorbed by transport and logistics companies (see Malesky 2007).

John Quarmby, Chairman/VP of Schenker (Thai) Co Ltd, a subsidiary of Deutche Bahn, noted in an interview that the CBTA is not working. He said that “the boxes take on a life of their own and become a constraint” [referring to the economic corridors in the maps above] (interview November 27, 2009). He said that firms can only get a tri-lateral trucking permit, for shipping through Thailand-Laos-Vietnam, for instance, if they take out a customs bond, which is expensive. Currently, the transit permit is only valid inside of the corridor, which limits its effectiveness since few companies are shipping strictly within the parameters of the East-West Corridor between Da Nang and central-western Cambodia and Laos may never be a major destination for Japanese FDI. But, Thailand and Vietnam are and Japanese investors need Cambodia and Laos to be part of an efficient sub-regional logistics network, even if only transport/logistics hub with some potential small scale industrial spill off.

\(^73\) Cambodia and Laos may never be a major destination for Japanese FDI. But, Thailand and Vietnam are and Japanese investors need Cambodia and Laos to be part of an efficient sub-regional logistics network, even if only transport/logistics hub with some potential small scale industrial spill off.
Thailand. Rather, currently Bangkok—Hanoi is seen as the most important route (Ishida 2007).

In summary, the major infrastructure components of East-West and other Economic Corridors have been completed. In the transformation of the East-West transport corridor into an economic corridor, the major accomplishments of the initial strategy and action plan set out in the 2001 Pre-Investment Study relate to the Cross Border Trade Agreement, in addition to the GMS tourism sector strategy, and the GMS Business Forum. However, only about one-sixth of the policy, project, program and institutional initiatives have been implemented to date, and roughly another one-sixth have been either partially implemented or are in the process of being implemented (ADB 2009b:4).

The second stage of the corridor development is now focusing on the reduction of poverty, development of rural and border areas, improvements in the earnings of low income and vulnerable groups, including the provision of employment opportunities for women, and the promotion of tourism along the Corridor (ADB 2009b:8). This highlights the ADB’s “pro-poor” agenda and promotion of political stability. This benefits many businesses, but of course companies will not relocate simply to benefit rural areas. The driving force behind the second stage is “empowering the private sector

---

74 According to the ADB (2009b:49): “The driving force behind cross-border EWEC investment today remains the same as it was when it was first elaborated a decade ago in the Asian Development Bank’s 2001 study Pre-Investment Study. In the context of medium and long-term framework, the EWEC trade and investment model is one that not only determines the growth potential of intra-regional trade resulting from differences in factor endowments, but also one that builds on the growing world-wide trend towards the globalization of production and lower production costs from economies of scale and expanding extra-regional trade. The EWEC provides an opportunity to obtain economies of scale in the production of cross-border industries, and this larger production area, in turn, provides the basis with which to develop intra-firm trade, implement marketing processes that take advantage of vertical and horizontal product differentiation in markets outside the region, expand the volume of intra-industry trade within the EWEC, and bring in much needed domestic and foreign investment and financial capital to the subregion.”
to promote sustained private sector-led economic growth” (ADB 2009b:22). A distinction between the second stage and action plan and the first stage established by the 2001 Pre-investment Study for the GMS Economic Corridors (ADB 2001) is that the private sector will take the initiative in identifying commercial opportunities and the role of the government and development partners will be to facilitate that process (ADB 2009b:8).

In this framework for economic corridors the ADB is forwarding a general stylized model that delineates a niche for the state-as-facilitator that is separate from markets. For instance, border SEZs are promoted to act as private sector-led growth nodes that will transform transport corridors into functional economic corridors. In other words, the lack of private sector participation in the transport corridors is a major reason why border SEZs have become a prominent focus as ‘incubators’ of investment, sub-regional cooperation and economic activation of the fixed capital physical infrastructure projects. In the following section I show one instance wherein the private sector is “leading” in SEZ implementation and the state is “facilitating.”

The Next Generation of SEZs

SEZs are defined…as geographically delimited areas, frequently physically secured, that are usually, but not always, outside the customs territory of the host country. They range in size from single factories to large cities. SEZs are under single management, either government or private-sector. Businesses located within SEZs are normally eligible for benefits such as duty and tax exemptions on goods based on the fact that they are physically located within the zone. Different countries have used different names for zones with these characteristics. These

---

75 This approach is taken to avoid earlier difficulties that arose from efforts to identify commercial opportunities as part of the economic corridor implementation process that failed to be taken up by the private sector because the conditions surrounding the projects were not addressed at the sub-regional, national and provincial levels (ADB 2009b:22).
include ‘industrial free zone’ and ‘export free zone’ in Ireland, ‘maquiladora’ in Mexico, ‘duty free export processing zone’ and ‘free export zone’ in the Republic of Korea, ‘export processing zone’ in the Philippines, ‘investment promotion zone’ in Sri Lanka, ‘foreign trade zone’ in India and ‘free zone’ in the United Arab Emirates.”

Creskoff and Walkenhorst (2009:7-8)

EPZs and SEZs are usually associated with the world’s major export oriented economies, particularly Mexico’s Maquiladoras, China’s SEZs, and EPZs in the Taiwan, Korea, Indonesia and Thailand. These associations persist despite major changes in the structure, policies and practices of different bounded economic zones. They persist despite the fact that different zones are prevalent in industrialized countries as well. For instance, the US has 266 foreign trade zones (FIAS 2008:57); many companies use them to take advantage of operating in a flexible, duty-free environment.

The past 30 years have seen a rapid increase in the number of countries initiating internationally oriented production and trade zones. In 1975 there were 79 zones in 25 countries around the world, employing about 800,000 people (ILO 2003). A study undertaken in 1987 on behalf of the International Labour Organization identified approximately 175 EPZs in 53 countries, while a 1995 study cited by the Organisation for Economic Co-operation and Development identified approximately 500 EPZs in 73 countries (Schrank 2001: 223). By some estimates, in the mid-2000s there are approximately 3,000 zones in 135 countries (FIAS 2008:5), with 2,301 zones in 119 developing and transition countries, clustered mainly in Asia and the Pacific and the Americas (World Bank 2008:26). Altogether, these zones account for approximately $200 billion in gross exports per annum and directly employ some 40 million workers, and perhaps some 60 million indirectly (ibid). Importantly, data shows that zone ownership has gone from 100% government owned and operated in 1975 (ILO 2003), to
roughly 25% privately owned and operated zones in the 1980s, to 62% privately owned and operated SEZs in the mid-2000s (FIAS 2008:18).

Many countries, including India and Cambodia use the term special economic zone to refer to a zone as small as a few hundred hectares that has little if anything in common with the scope and scale of SEZs like Shenzhen (396 sq km and China’s largest port) the Aqaba SEZ in Jordan (375 sq km, including a sea- and airport), the Clark SEZ in the Philippines (330 sq km, an airport) and the proposed Mae Sot-Myawaddy SEZ in Thailand-Burma that covers several border districts and cities in two countries (see Chapter 8) (see Table 17).

### Table 17: Size of select economic zones

<table>
<thead>
<tr>
<th>Country</th>
<th>Zone</th>
<th>Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thailand</td>
<td>Amata Nakorn</td>
<td>30.2 sq km</td>
</tr>
<tr>
<td>Thailand</td>
<td>Amata City</td>
<td>13.5 sq km</td>
</tr>
<tr>
<td>Vietnam</td>
<td>Amata City, Bien Hoa</td>
<td>7.0 sq km</td>
</tr>
<tr>
<td>Cambodia</td>
<td>Kiri Sakor Koh Kong SEZ</td>
<td>17.5 sq km</td>
</tr>
<tr>
<td>Cambodia</td>
<td>Sihanoukville SEZ 2</td>
<td>16.8 sq km</td>
</tr>
<tr>
<td>Cambodia</td>
<td>Phnom Penh SEZ</td>
<td>3.5 sq km</td>
</tr>
<tr>
<td>Cambodia</td>
<td>Sihanoukville SEZ 1</td>
<td>1.78 sq km</td>
</tr>
<tr>
<td>Cambodia</td>
<td>Manhattan SEZ</td>
<td>1.57 sq km</td>
</tr>
</tbody>
</table>

Source: Author’s compilation

In the past EPZs and Maquiladoras competed primarily on the basis of fiscal incentives, differential labor regulation mechanisms such as reducing or altogether banning trade union activity, and/or proximity to major markets. In the case of Maquiladoras and China’s coastal SEZs, the wage differential from major investment sources, the US and Hong Kong-Taiwan respectively, were of paramount importance. As the global factory expands and deepens its reach these factor costs are still important, as clearly demonstrated in case studies throughout this dissertation. But, according to the World Bank-FIAS (2008) international manufacturers have realized that there is much
greater scope to reduce logistics costs than production costs. This helps to explain the proliferation of SEZs over the past 30 years.

The new generation of SEZs that is emerging differentiate themselves in terms of facilities, services, and most importantly, streamlined procedures, and purpose-built technology. Therefore, many zones, especially those that are privately run, are rapidly reconfiguring themselves into efficient distribution, production, and trade facilitation hubs that reduce logistics costs in order to meet this demand from investors (FIAS 2008). Ishida (2008) contends that as modes of transport have diversified, the day when companies can choose the most efficient mode of transport—via sea, air, roads and railways—will soon be realized (addressing ‘problems’ identified above). Going forward, Ishida argues that with the additional options provided by these different modes of transport, companies’ behavior will change (Ishida 2008:34). Thus, in theory embedding formerly peripheral border areas and countries such as Burma, Cambodia, Laos and Vietnam into global production networks.

**Cambodia’s SEZs**

Cambodia’s Special Economic Zone Decree was passed on December 29, 2005, and with it the Cambodia Special Economic Zone Board was formed. The Cambodia SEZ Board has approved the establishment of 21 SEZs through 2010. One is in Phnom Penh where industry is currently concentrated and seven are located in or near the peri-urban port city of Sihanoukville. The remaining thirteen are along Cambodia’s borders with Thailand and Vietnam (See Figure 25). Six were operational in 2009.\(^{76}\) The first to

---

\(^{76}\) “A new ADB technical assistance project has been approved to provide capacity building for the SEZ development since investment flows into the area have been minimal. An assessment attributes the
begin manufacturing was the Manhattan SEZ in Bavet near the Cambodia-Vietnam border (June 2006), followed by the Phnom Penh SEZ (July 2006).

**Figure 25: Entrances to the Manhattan SEZ (Bavet) and Koh Kong SEZ (Koh Kong)**

![Entrances to the Manhattan SEZ (Bavet) and Koh Kong SEZ (Koh Kong)](image)

Photos: Dennis Arnold

On the surface it appears that Cambodia is following global SEZ trends. Almost all SEZs in Cambodia are privately developed (this is problematized in Chapter 6), they offer one-stop services to address bureaucratic and other state inefficiencies. SEZs in Cambodia are designed to insulate themselves from the rest of the country, where the business climate is considered unfavorable to investors, export-oriented foreign invested firms in particular. SEZs are enclaves that are outside the customs territory of Cambodia, where investors benefit from a favorable tax regime and the exemption of duties. However, these benefits apply to all industrial zones throughout Cambodia. SEZs sluggish development to the following factors: (i) the lack of a national strategic road map for guiding the country to pursue SEZ development; (ii) an unclear institutional framework among central agencies and between central and provincial authorities; (iii) a weak legal framework and the absence of regulatory guidelines; (iv) insufficient technically-qualified officials for SEZ management, investment analyses, and negotiations with investors; and (v) the absence of information dissemination and SEZ promotion targeting potential investors and beneficiaries” (ADB 2009b:51).
attempt to differentiate themselves by providing better and/or cheaper infrastructure services, e.g. transportation, telecommunication and energy. They are also offer a new spatial regulation of labor where employers can more closely control activist workers and trade unions. They are a way to address cumbersome bureaucracy and rent seeking activities. Importantly for Cambodia, SEZs are promoted as a means to diversify industry beyond dependence on apparel exports to include agro-industry and motor vehicle assembly. Furthermore, SEZs are touted as spreading the benefits of links to the regional and global economy to provinces with high poverty rates and lack of employment options.
This is all happening, and the ‘technical’ aspects of border SEZs, including infrastructure development, electricity, transit times etc dominates much of the literature and thinking on the subject (Kudo 2009; ADB 2009a, 2009b). That said, the Indochina branch President of a Japanese Fortune 500 corporation, Itochu, said “If we need to go [to a particular location or country], we will go whether there is an economic zone or not…SEZs are not enough for FDI. Education, infrastructure, labor and environmental compliance are all important. Bribery is also an issue, we are afraid of such things.”

Border SEZs and Bavet

One of the primary means to promote SEZs is the ‘One Stop Service’ of the CDC/Cambodia SEZ Board that is located within each SEZ. This is the key structural difference between an SEZ and industrial zones in Cambodia, in addition to the larger size of SEZs. This means government officials are located at each site, issuing permits for investors, facilitating import-export processes and other administrative clearances. Ministry of Labor and Vocational Training staff are also located at each One Stop center. The One Stop Service is intended to reduce time and money spent going to Phnom Penh to deal with documents and licenses and approval of new investments, which are all located in different offices.

Interestingly in the case of Cambodia, salaries of government employees stationed at the One Stop Service are paid by the SEZ administrators as stipulated in the SEZ Decree. At the Manhattan SEZ there were 22 One Stop Service staff in 2009. The head of the Manhattan SEZ estimates that the zone only needs about 10 One Stop officials
A Cambodia SEZ Board official estimates that salary for each One Stop staff including accommodation is roughly $150/month per person. He recognized that the government “cannot force them [the SEZ administrators] to pay a salary at any particular rate, it can be $100 or $200.” He went on to say that “I know this practice is completely different from neighboring countries, but government salary happens like this [in Cambodia]” (interview November 10, 2009). Larry Kao of the Manhattan SEZ noted in interviews that government fees are generally lower inside of the zone, and he also believes that SEZs are one way to address the problem of BBC in Cambodia—bribes, bureaucracy and corruption (interview November 13, 2009). Another analyst suggested in an interview that SEZs will not eliminate graft, but will make it ‘easier to see.’

Figure 27: Basic Concepts and Conditions for SEZs in Cambodia

<table>
<thead>
<tr>
<th>Regarding the basic concept and conditions for the SEZ, the SEZ Sub-decree defines as follows.</th>
</tr>
</thead>
<tbody>
<tr>
<td>• SEZ refers to the special area for the development of the economic sectors which brings together all industrial and other related activities and may include General Industrial Zones and/or Export Processing Zones. Each Special Economic Zone shall have a Production Area which may have a Free Trade Area, Service Area, Residential Area and Tourist Area.</td>
</tr>
<tr>
<td>• It must have a land of more than 50 hectares with precise location and geographic boundaries.</td>
</tr>
<tr>
<td>• It must have a surrounding fence (for Export Processing Zone, the Free Trade Area and for the premises of each investor in each zone).</td>
</tr>
<tr>
<td>• It must have management office building and Zone Administration offices and all necessary infrastructures must be provided.</td>
</tr>
<tr>
<td>• It must have water sewage network, waste water treatment network, location for storage and management of solid wastes, environment-protection measures and other related infrastructures as deemed necessary.</td>
</tr>
</tbody>
</table>

---

77 The Manhattan SEZ staff in Bavet comprises 20 people: 3 Taiwanese, 5 Chinese, 1 Vietnamese and 11 Cambodians.
The high cost of electricity is another key impetus for SEZs in Cambodia. SEZs located inland have installed power plants to generate their own electricity, while those at the border buy cheaper electricity from Thailand or Vietnam. For instance, power in Phnom Penh costs about $0.20 per kw/h, while power at the Manhattan SEZ on the Cambodia-Vietnam border charges $0.125 per kw/h. This is still high compared to Vietnam. For instance, electricity in the Linh Trung EPZ in Vietnam is $0.6 per kw/h.

Although the Southern Economic Corridor is still not fully functional, Cambodia and Vietnam have reached a bi-lateral agreement on shipping into the Bavet SEZs. Trucks bound to/from the Manhattan and other Bavet SEZs need only stop at customs once, by the Vietnamese authorities while in transit to Ho Chi Minh City and by Cambodian border officials in transit to Cambodia. Trucks loaded at the Bavet SEZs are sealed on site and cleared by customs officials working in the One Stop Service. Paperwork is then checked by Vietnamese officials. Trucks traveling between Ho Chi Minh City and Phnom Penh must stop for inspection twice, by both Cambodian and Vietnamese authorities at the border, and at another 3 checkpoints before reaching Phnom Penh (interview, Hean Sophaline, Cambodia SEZ Board, November 10, 2009). Manufacturers in Bavet thus have lower transport costs compared to other parts of Cambodia. The factories in Bavet are all assemblers, importing all inputs from Vietnam, and all exports are shipped through Saigon ports.

Five SEZs have been approved in Bavet, two have started operations, the Manhattan and Tai Seng SEZs (see Figure 26). Both are 6km from the border checkpoint and are located on opposite sides of the highway from one another.
operating in the Manhattan SEZ in 2009 (down from nine in 2008), two are mainland Chinese firms that received subsidies from the Chinese government to ‘go-out.’ The other four companies are Taiwanese owned. Three of the companies also operate factories in Vietnam, Kingmaker, SYG and Bestway (interview, Yu Chao-Kuan, Manhattan SEZ). The six factories employed some 3,000 Cambodians in 2009, a majority from Svay Rieng province (ibid). It is estimated by zone officials that at full capacity it can employ 15,000. Nationally, of 31 manufacturers operating in 6 SEZs, 10 are in textiles and garments and footwear (7 and 3 respectively), demonstrating a degree of investment diversity. 11 of 31 zone investors are in the Phnom Penh SEZ. As of 2010, the most high profile manufacturer involved in Cambodia’s SEZs is Hyundai, who plan to commence auto assembly in a Koh Kong SEZ in 2011 (on the Thai border, near Thailand’s Eastern Seaboard).

In addition to the Kingmaker factory addressed in Chapter 4, the Manhattan SEZ has managed to attract the world’s largest wetsuit manufacturer, Sheico. Larry Kao from the Manhattan SEZ said that Manhattan

“...has good networking with companies from Taiwan, China, the US etc, we’re not looking for those easy come easy go type of firms...[our] Investors mostly know [Manhattan] through networks, but not all of them. Manhattan has a marketing division who deals with some investors in Taiwan. Sheico found the Manhattan website and decided to invest there. They found it, organized a visit and within 2 weeks signed an agreement on May 14, 2008, they wanted their first building ready in August for trainings etc, and started exporting in October 2008. Now there are 1,900 workers there. They will have 15 buildings including staff housing, they’re about halfway there now. They have a factory in Thailand and China, not Vietnam. Sheico likes the image of Cambodia, the products look like it’s from a country that emphasizes labor conditions.” (interview, November 13, 2009).
Mr. Kao said that each SEZ in Cambodia has its own advantages. In Manhattan’s case the advantages include its proximity to Vietnam, that it is not run by a land speculator [referring to the Phnom Penh and other SEZs], and that his company works with the government in facilitation, yet is the “least connected with government among the current SEZs, [we] work within the system, without using personal or social connections with the government” (interview, November 13, 2009). Peter Brimble, a business and development consultant working the region for several decades, said that “Manhattan has street credibility to run a zone. The Phnom Penh SEZ are not real players in the business they’re involved. Attwood Group [comprising half of PPSEZ shares] is a trading company, the original Japanese investor is a real estate company that went under…” (interview, November 7, 2009).

In summary, the Manhattan SEZ offers investors a new spatial regulation of labor (addressed in Chapter 3) and is addressing many of the high costs and uncompetitive factors that are inhibiting Cambodia’s capitalist growth (addressed in Chapter 2). It is also utilizing ADB infrastructure projects through its location on the Phnom Penh-Ho Chi Minh City Highway, and it is on the leading edge of activating one important border growth node in the Southern Economic Corridor. Furthermore, the deep links between Bavet and Vietnam-based factories demonstrates the necessity of the economic corridor’s focus on logistics. The Cambodian state is facilitating the development and investment in the Manhattan SEZ, primarily through the One Stop Service Center and by housing (most) rent-seeking activities under one roof. In the following chapter I argue that this is not a general pattern in Cambodia’ SEZs. Rather, Manhattan is an exceptional case. In

78 Manhattan International Co. Ltd. and its parent groups Universal Joint International and Medtecs International have 10 years of experience in owning and operating an industrial zone in Cambodia.
fact, the Cambodian state and business interests with deep links to the state (often acting in both capacities) are leading implementation of SEZs.

Conclusions

With competition intensifying in low-cost labor intensive export-oriented sectors, GMS countries have initiated cooperative regional and trans-national policies aimed at more fully integrating rural and border spaces into the regional and global economy. The primary driver is seen to be foreign direct investment from the broader Asia region, in many cases ‘go-out’ capital from China and manufacturers pursuing a China+1 strategy. In this process, state and multi-lateral organization policies play an enormous role in shaping the geographical patterns of investment and social regulation. In the case of Cambodia these networks emerged in response to the ‘failures’ of central state authorities to implement infrastructure and trade facilitation programs, with the ADB stepping in to create a framework and the new opportunity structures that transnational manufacturers exploit. I have shown that the border is increasingly becoming the site in which these new articulations of investment and spatial administration are emerging.

This chapter demonstrates the layering of interests and initiatives that foster the emerging GMS geo-economy. Transport corridors are largely the result of ADB programs, and SEZs are becoming prominent incubators of growth in the sub-region. SEZs are becoming a key component transforming the ADB’s transport corridors into economic corridors. There is a delineation of ‘duties and responsibilities’ in these respects.\textsuperscript{79} The ADB is not able to lead the process of SEZ implementation and border

\textsuperscript{79}Ronald Butiong of the ADB said that the ADB does not yet have a strategy on border economic zones. The corridor town development project is only in the fact finding phase at the time of writing. (interview, August 21, 2009).
town growth.\textsuperscript{80} They can provide technical assistance grants,\textsuperscript{81} but it is up to individual states and the private sector to bring these initiatives to fruition. From the perspective of economic corridors and SEZs, states’ role is to facilitate capital to produce smooth spaces. The following chapter looks at a different set of state interests in border SEZs.

\textsuperscript{80} One possible exception is the Savan-Seno SEZ in Laos where the ADB has provided substantial financial and technical support (see Abonyi 2006).

\textsuperscript{81} For instance, the ADB proposed technical assistance of $400,000 for the project: “Feasability study of establishing special border economic zone/Industrial estate at Mae Sot District, Tak Province, Thailand.” See http://www.adb.org/GMS/Projects/devmatrix.asp?fl=2 (last accessed April 9, 2010).
Chapter 6

Activating the Borderlands: Public-private Dynamics of SEZs in Cambodia

Introduction

Throughout the GMS specific border and cross-border zones once seen as territorial boundaries for state power and sites of inter-state conflict are now rapidly being re-articulated as functional regions requiring their own structures and practices of governance. Cambodia’s recent history of border-based insurgencies and political opposition meant it was not in the interests of the central governments to allow border regions to expand economic autonomy, and this is still the case in the late 2000s. The consolidation of the CPP’s power between 2001 and 2008 is, in no small part, a critical component of the push to industrialize the borderlands. In this chapter I show that border SEZs represent a new regulatory regime offering new opportunities for profit and power. It is a process wherein the state is often acting in a private capacity and the private sector in a state capacity, and both are more deeply engaging the industrial economy, perhaps for the first time in Cambodia’s history. The result is that institutions of national-cross-border governance and development infrastructure have emerged in ways that combine authoritarian political and liberal economic features to manage the ways in which different production systems are able to compete in the global economy.

Whereas Thailand’s four proposed border SEZs are popularly constructed as ‘economic dams’ preventing the ‘contamination’ of migrants from neighboring countries (see Chapter 7), Cambodia’s border SEZs are important elements of the Cambodian
People’s Party’s (CPP) political legitimacy. In other words, the focus is the political significance of industrializing Cambodia’s borderlands. The previous chapter showed that in certain cases border SEZs in Cambodia follow the ADB discourse that economic cooperation is necessary for sustained development. As such, they are economic conduits with more diversified neighboring economies and the Asia-regional division of labor. At the same time, border SEZs reaffirm Cambodia’s territorial integrity at the physical border.

The first part of this chapter focuses on Bavet’s proximity to Ho Chi Minh City. Its location is now considered an advantage in terms of economic corridors and SEZs. In recent history it has led to a series of conflicts. Bavet is in Chantrea district and is part of the “Parrot’s Beak” as it was known during the wars of the 1960s-1970s. As such, it was a key strategic site of the US invasion of Cambodia in 1970 that, among other things, sparked protests at Kent State and other US universities. It was later a launching site for Khmer Rouge incursions into Vietnam in 1977-1978 to reclaim ‘lost territory.’ In 2009 Cambodia’s opposition leader Sam Rainsy (head of the Sam Rainsy Party) and local farmers pulled up border stakes in Chantrea district, claiming Vietnamese encroachment. This led to a two year jail sentence for Sam in absentia, a sentence that could mean the end of the only significant opposition party left in Cambodia. Border SEZs are important elements of the Cambodian People’s Party’s (CPP) material and discursive control of Cambodia’s territory, particularly its troubled borderlands.

The second part of this chapter demonstrates that greater co-operation between national elites may contribute to lessening the specter of inter-state war, and the superpower-fuelled carnage of the Cold War (and Khmer Rouge) era are becoming or
already are a distant memory (Hughes 2011). But, economic development and sub-regional integration has changed the pattern of political contestation in border areas. This suggests that in the short run at least, the transformative potential of border development projects is limited: outcomes reflect rather than reshape national and regional orders of power (ibid). It also means a newfound role for Cambodia’s elites in border industrialization initiatives. SEZs are a component of Cambodia’s elite’s domination of the natural resource-based economy and into globally connected manufacturing, logistics and services zones. SEZs are not a new industrial policy, rather it is part of the political-economic process of further consolidation of power in a few hands.

**Political Context**

Historical circumstances are central factors when considering the relative weakness of Cambodia’s position in global production networks. Social disintegration in Cambodia following the US War in Indochina and the legacy of the Khmer Rouge regime have led to a society and state faced with the task of rebuilding from near total devastation. This section briefly outlines how Cambodia came to be in this situation, indicating that Cambodia’s state and society had few options beyond engaging the global economy in ways proscribed by donor/lending organizations and nations—the TATA and Better Factories Cambodia Program being prominent aspects of this. However, as state reconstruction progresses and memories of the wars fade, the Cambodian state is increasingly making its presence felt in industrial and labor relations policies.

Under the US-backed Lon Nol regime Cambodia was increasingly drawn into the US Wars in Indochina. Cambodia was a “Sideshow” in the US war in Vietnam and the
implications were devastating (Shawcross 1979). One result was the Nixon administration’s carpet bombing of Cambodia from 1965 to 1973 (Owen and Kiernan, 2006). This bombing left much of rural Cambodia devastated and galvanized popular support for the ultra-nationalist Maoist Khmer Rouge who, prior to the bombings, had little popular support (Chandler, 1991). The Khmer Rouge victory led to a three and a half year rule (from April 1975 through December 1978), a period that left an estimated 1 to 1.7 million, or one-eighth up to a third of the population, dead from execution, torture, starvation and hard labor (Chandler, 1991; Owen and Kiernan, 2006). This period saw an already shattered economy and infrastructure further devastated and a state disabled by the Khmer Rouge’s disastrous experiment in national self-reliance and self-styled Maoist transformation.

Vietnam invaded Cambodia in December 1978 in response to repeated Khmer Rouge border incursions and occupied the country until 1989. A pro-Vietnam government, the People’s Republic of Kampuchea (PRK) led by the Khmer People’s Revolutionary Party (to become the Cambodian People’s Party, or CPP in 1991) began rebuilding the country through the 1980s (Gottesman, 2003). This was hindered by international sanctions backed primarily by the US, the ASEAN nations, Western European countries and China, who condemned Vietnam’s invasion. At the same time, the PRK was also fighting a civil war with the Khmer Rouge, which received substantial political and material support from these same Asian and Western countries (Robinson, 2001).

In 1991 negotiations led to the Comprehensive Political Settlement for Cambodia, with four Cambodian factions signing a Settlement which called for the creation of the
United Nations Transitional Authority in Cambodia, the largest operation in UN history. This signaled the beginning of the last phase of civil war and decades of armed conflict in Cambodia. The Khmer Rouge dropped out of the agreement and continued a declining guerrilla warfare through the late 1990s. Multi-party, UN-supervised, elections were conducted in 1993, with the royalist National United Front for an Independent, Neutral, Peaceful, and Cooperative Cambodia (FUNCINPEC) winning the largest vote and an uneasy coalition with the CPP. Following a coup in 1997, the CPP came to power, led by Hun Sen. The CPP and Hun Sen have remained in power, winning disputed elections, in on-again, off-again coalitions with FUNCINPEC through the 2003 elections. In the 2008 National Assembly elections the CPP further consolidated its power, winning 90 of 123 seats.

Following the Settlement and elections, bilateral aid and loans from governments including Japan, the US, China and Australia, in addition to funding from the World Bank, Asian Development Bank, UNDP and others increased dramatically. Since the early 1990s development aid has been the economic foundation of Cambodia’s state; the US Department of State (2009) reported that about half of the central government’s budget depended on donor assistance, with $698.2 million in grants and concessional loans pledged for calendar year 2007. Due to this heavy reliance on foreign aid, Cambodia is subject to donor requirements. These foster the circulation of capital and western notions of development. On 3 January 1992, the US lifted its embargo against Cambodia, thus normalising economic relations. The US also ended blanket opposition to lending to Cambodia by international financial institutions (US Department of State 2009).

The focus of these international interventions derives primarily from neo-liberal approaches favoured by dominant actors in the international system, such as the World Bank and International Monetary Fund, as well as Western donor nations. Hughes (2007: 836) contends that “these actors espouse an agenda of
Throughout the 1990s Cambodia’s state and society were eviscerated and lacking a clear centre of political gravity or autonomous development agenda. Cambodia thus entered the global economy from a position of institutional and economic weakness. Cambodia had few domestic capacities to resist international and/or neo-liberal policies, and the small political elites of the country supported many of these polices.

However, with the consolidation of the CPP’s power in 2003 and subsequent elections the Cambodian state is better positioned to put forward an economic development agenda that reflects the interests of domestic elites. Special economic zones are a particularly clear illustration of this trend. However, a majority of SEZs in Cambodia are owned and in some cases developed by Cambodians who are part of the small ruling elite. While some may be regarded as land speculators, it signals a shift toward a more clearly defined role of Cambodians and the central government in industrialization initiatives.

From “Parrot’s Beak” to SEZs: Wars and Border Tensions

Penny Edwards (2007) finds that several key nationalist notions that drove Pol Pot’s revolution have found a place in the ideological armature of all of Cambodia’s postcolonial regimes—they all have sought legitimacy in the imagery of Angkor Wat. Throughout, Angkor Wat’s towers and its emblem of antiquity has come to signify Cambodia’s sovereignty, symbolizing faith in Cambodia’s past glory, and fears of the country’s future disappearance (Edwards 2007:5). Cambodia is positioned between two much more powerful neighbors, Thailand and Vietnam, countries that, according to poverty reduction and economic progress, tied a priori to a model that regards economic growth as the key to development, and privatisation and liberalisation as the sine qua non of economic growth.” This “opening” fostered the introduction of export oriented garment production.
popular sentiment in Cambodia, have over the centuries “swallowed up” the land belonging to the Khmers (Pouvatchy 1986; see also Sam Rainsy Party quotes below). Today much of the populace still believes that Vietnam is attempting to control or even colonize Cambodia through economic and political means. Combined, the royalist-oriented political and military factions in Thailand are believed to have ambitions for Cambodia’s Angkorean heritage and territory, expressed most clearly over the conflict at the Preah Vihear Temple.\footnote{In 2004 anti-Thai sentiments boiled over when a Thai actress reportedly said that the Ankor Temple complex belonged to the Thais. This sparked riots and many Thai businesses and the Thai embassy were burned down.} Many pre-colonial kingdoms in what is now the GMS have ‘disappeared’ in the maps of modern nation states, including Champa, the Mon, Shan and many others. Cambodia is, perhaps, the only nation state in Southeast Asia in which the fear of disappearing has been such a prominent aspect of national politics in the post-colonial era.

This section tells a brief history of the Cambodia-Vietnam border at Bavet from 1970 through 2009. It is a small piece of land with a deeply troubled past. The history of warfare and territorial disputes makes it important for the CPPs political legitimacy. In particular, the nationalism of the CPP has been called into question since the 1980s due to their (continued) reliance on Vietnam for political, military and economic support. By the mid-late 2000s it appears that the CPP has nearly eliminated political opposition, both in the polls and in some cases literally. This enabled the CPP to move ahead on implementing SEZs. For instance, in 2005 Prime Minister Hun Sen signed a controversial border agreement with Hanoi, and returned to Phnom Penh threatening to jail any critics of the deal (Hughes 2011). Six individuals were subsequently arrested and imprisoned, including trade union leaders, opposition politicians and popular media
figures (ibid). Although later released, these events intimidated the opposition. With border demarcation disputes seemingly resolved and the opposition cowed, the way was apparently open for significant development of the border regions (ibid). It was in December 2005 that the SEZ decree was passed.

The Parrot’s Beak and “Vietnamization”

Bavet is at the tip of what was known as the “Parrot’s Beak” during the Vietnam War era, or more accurately the US Wars in Indochina. It took this name due to the piece of land that juts into Vietnam, a border established by the French in 1914 (Pouvatchy 1986) (see Figure 9). Through much of the 1960s while Cambodia maintained neutrality during the US-Vietnam war the Parrot’s Beak was part of North Vietnam Army-National Liberation Front supply routes along the Ho Chi Minh Trail. On April 30, 1970 American and South Vietnamese soldiers invaded Cambodia, in part believing that they could destroy enemy bases in and around the Parrot’s Beak (see Figure 27). Acting on the recommendation of a security adviser to “Just bite off the Parrot’s Beak” (Shawcross 1979:144), Nixon decided that “…you are going to have a hell of an uproar at home if you bite off the Beak. If you are going to take the heat, go for all the marbles…When you bite the bullet, bite it hard—go for the big play” (ibid). The operation failed militarily as no bases were found or captured. It fed outrage in the US over a broadening war and protests at Kent State and other campuses ensued. More importantly, so did intensified US bombing of Cambodia through early 1973, that paradoxically strengthened the Khmer Rouge (Owen and Kiernan 2006).

85 Perhaps more importantly, Nixon was sending a message to the Soviets that “…we’re not interested in Cambodia. We’re only interested in it not being used as a base…We’re trying to shock the Soviets into a conference, and we can’t do this by appearing weak” (Shawcross 1979:145).
In 1977-1978 Svay Rieng and the Parrot’s Beak were the front of another historic conflict, this time as a launching site of Khmer Rouge incursions into Vietnam to reclaim ‘lost territory’ in the Mekong Delta. In September 1977 fighting escalated, with the Cambodians attacking Tay Ninh and surrounding provinces in Vietnam “with ferocity and extreme brutality” (Jackson 1978:73). Tay Ninh was the approach route to Ho Chi Minh City on the northern side of the Parrot’s Beak (Leighton 1978). The Vietnamese government at the time considered the Parrot’s Beak to be a “virtual dagger pointed at the heart of Ho Chi Minh City” (Leighton 1978:448). In response, the Vietnamese launched a general offensive along the Cambodia-Vietnamese border. In November 1977 Vietnamese forces extended as much as 35 miles into the Parrot's Beak area of Cambodia (Jackson 1978). Just as the US invaded the Parrot’s Beak to uproot what they believed to
be the Vietcong’s nerve center, Hanoi’s troops marched into the area to wipe out Khmer Rouge sanctuaries and supply lines to Vietnamese resistance groups still active in border provinces (Leighton 1978). Vietnam’s subsequent withdrawal fueled Khmer Rouge delusions of a victory, claiming that one Khmer soldier could kill thirty Vietnamese soldiers (Morris 1999:104). This belief led to further Khmer Rouge incursions and ultimately a full scale Vietnamese invasion in December 1978 that resulted in a ten year occupation.

Since 1993, minor border demarcation disputes with Vietnam have been used to mobilize both anti-CPP and anti-Vietnamese feeling by opposition politicians and activists in Cambodia (Hughes 2011). For instance, on March 14, 1996 the former First Prime Minister Ranariddh delivered a speech in Svay Rieng province in which he “elaborated at length” on the border problems with Vietnam and discussed Cambodia’s historical loss of land to both Vietnam and Thailand (Amer 1997:85). He reiterated the accusations that Vietnam had been encroaching on Cambodian territory since December 1995 and referred to the situation as one of Vietnamese “annexation” of land in Svay Rieng and other Cambodian provinces (ibid).

More broadly, since independence, irredentist claims to the Mekong delta have been a staple of political rhetoric by successive governments, and the reliance of the CPP on the Vietnamese army during the period of the civil war in the 1980s has been regularly used by opposition parties as a means to raise questions over the party’s legitimacy and patriotism (Hughes 2011). This, in many ways, reflects Khmer Rouge assertions throughout the 1980s and 1990s that Cambodia was being overtaken by the Vietnamese.
In Pol Pot’s interview with Nick Thayer in 1997, less than one year before he died, he said:

First of all, it’s a historical fact that in 1975 the Vietnamese liberated the South on 30 April. They told us many years ago that they were going to liberate Kampuchea too. They wanted to occupy Kampuchea. Secondly, they invaded Kampuchea at the end of 1978. I, my friends and my movement didn’t submit to them but fought back with the support of the international community until the Paris agreements. Akashi [the UN supervisor of 1993 elections] said there weren’t any Vietnamese troops in Cambodia. The force was there, they just took off their uniforms. And other civilians from Vietnam came in as well. Cambodia was under Vietnamese occupation from 1979 to 1991, over ten years. The Vietnam – Cambodia border was not controlled by either sea or land. The implementation of the Paris agreements was not respected. Only two parties complied. They still organized the election. We thought if we took part in the election, we’d all be killed.

Sam Rainsy, Cambodia’s opposition leader, delivers a similar line of anti-Vietnamese nationalist tropes:

Farmers from the eastern provinces are telling me that Vietnam nibbles Cambodian territories when I meet them as an MP. Hun Sen does not want to see this issue discussed, he threatens people who talk about this issue (with sending them) “coffins.” Of course, Hun Sen remains under the Vietnamese influence, a discreet one but a solid one nevertheless. He still maintains Vietnamese advisors. Even the ones from the 80s still stay in Hun Sen’s entourage. Furthermore, for any important decision to be made, he would jump on his helicopter to go to Vietnam which is located only a few tens of kilometers from his residence. [http://www.samrainsy.info/](http://www.samrainsy.info/) (last accessed April 6, 2009)

By 2009-2010 it appears that nationalist tropes of the Vietnamization of Cambodia as a source of political legitimacy for the opposition are fading in effectiveness. In October 2009 Sam Rainsy and local villagers pulled up six border stakes in Chantrea district to stoke anti-Vietnamese nationalism. Villagers alleged that the border markers were an attempt by Vietnam to encroach on Cambodian land, a longstanding claim of Sam Rainsy and his party. On January 27, 2010, the Svay Rieng provincial court convicted Rainsy and two villagers, Meas Srey and Prom Chea, on
charges of racial incitement and destroying demarcation posts on Cambodia's border with Vietnam (Human Rights Watch 2010b). Sam Rainsy, who was in Paris, was tried in absentia and sentenced to two years in prison and fined 8 million riels (approximately US$2,000) (ibid). Meas Srey and Prom Chea were each sentenced to one year in prison for destroying public property. This follows a pattern of criminal charges pressed against government critics. At least 10 government critics were prosecuted for criminal defamation and disinformation based on complaints by government and military officials during 2009. Criminal defamation, disinformation, and incitement lawsuits were also filed against two members of Parliament from the opposition Sam Rainsy Party, Mu Sochua and Ho Vann, and a youth activist, Soung Sophorn (Human Rights Watch 2010b).

Sam Rainsy’s publicity stunt and subsequent conviction coincided with the CPP’s riding a wave of nationalist support for its ‘defense’ of Cambodia’s territorial integrity in the conflict with Thailand at Preah Vihear Temple (beginning in 2008). Many civil society groups that were once supportive of Mr. Sam’s calls for transparent and democratic governance are now critical of his party’s current direction: They see the party as having lost touch with its original pro-democracy platform and focusing instead on emotional nationalistic disputes with the ruling party (Brady 2010). "The Sam Rainsy Party has become reactionary and lost their core liberal democratic message," says Ou Virak, president of the Cambodian Center for Human Rights (ibid). "They have become quite weak, and their future is in great trouble if they keep waiting for confrontational events to get media attention. They need to return to offering alternative policies” (ibid). The SRP’s mantra that the “Vietnamese-subservient Hun Sen government is pushing
Cambodia to commit suicide as a nation” (www.samrainsyparty.org) is losing effectiveness. Rather, people want concrete action. A survey released February 2, 2010 by the International Republican Institute, a long-time supporter of Sam Rainsy’s liberal-democratic, free trade politics, reiterates this point. It found that 51% of respondents want political leaders to spend less time talking about the leaders of other parties. Instead, 93% want parties to spend more time improving services such as education and health, 88% want leaders to spend time reducing corruption, 86% believe they should spend more time creating jobs and improving the economy and so forth. Importantly, a majority said that they want political leaders to spend less time discussing the civil wars and past regimes. (International Republican Institute 2009).

In summary, the CPP has suppressed opposition, often violently, yet at the same time the opposition is unable to gain legitimacy by delivering on economic development initiatives. Despite widespread sentiment in Cambodia that the CPP is a pawn of the Vietnamese, they have much support from the population, perhaps in part because they are perceived to demonstrate economic gain and progress on social services.

With the introduction of border/decentralized SEZs the CPP is able to demonstrate Cambodia’s territorial integrity while fostering economic and industrial development. This is in ‘competition’ with Vietnam and Thailand over investment, but it is at the same time facilitated by cooperation in terms of purchasing electricity, streamlining border crossings and the like under the broad framework of the GMS. For instance, Hun Sen and the CPP are fostering the growth of border SEZs that are slated to offer tens of thousands of jobs. That said, allowing Thai, Vietnamese or East Asian investors to dominate ownership of Cambodia’s “privatized” SEZs would risk losing out
on the perceived “Khmerization” of the borderland territory, and it may also foster discontent from Cambodia’s moneyed elite. Perhaps recognizing this, SEZs came to be owned and developed almost entirely by a small clique of rulers of Cambodia who act in both private and public capacities. It is to this that I now turn.

**Layered Interests: Domestic Elites and the Sub-regional Economy**

Through the 1980s and 1990s in Cambodia, state officials’ abuse of the neo-patrimonial state was regarded as a necessary evil (Hughes 2007). The networks of corruption that held the state together were at least effective in controlling the country and thus in staving off the much-feared and often-threatened scare of the return of the Khmer Rouge (ibid). This section addresses the need for both domestic and international capital to disembed economic relations from their “old” social integument in Cambodia, and re-embed them into new social relations supportive of further capitalist development (Jessop and Sum 2006). The “old” social relations generally refer to patronage systems and corruption that are regularly cited as major impediments to Cambodia’s capitalist development (Amin, 2004; USAID, 2007; see also Gottesman, 2003; Hughes 2003). Corruption discourse is pervasive in explaining Cambodia’s underdevelopment.

---

86 Cambodia’s Ministry of Commerce summarizes the situation as follows (Ministry of Commerce 2006:5) Decades of conflict, ruinous policies and embargos destroyed the institutional fabric of civil society and commerce. Cambodia’s challenge is compounded by the legacy of internal conflict that not only depleted the country’s reserves of human talent on which entrepreneurship is based, but also disrupted the continuity of social institutions and formal and informal rules that provide the framework for development, trade, and investment. The economic landscape reflects this lack of key institutions, most notably the rule of law. It also reflects an attempt by the Government to fill the institutional vacuum through administrative measures that have largely been ineffective and created opportunities for corruption. Essential public services and infrastructure are absent for much of the population.
Following are typical quotes on the subject from different sources in 2009, two from the private sector and one private/public consultant:

“Lower ranking military get about $200/month…teachers make about $100. They cannot live on this…Food prices are higher in Cambodia than the region, hospitals and medicine are not free…These are the key issues in Cambodia—low salary and high cost of living. Now all are pushed into the cycle of corruption, kickbacks [including the person quoted, he was clear to point out]. It’s a self-perpetuating system. Those on top get money from subordinates, subordinates need to engage in corruption to supplement their income and kick money up to keep their position…Many investors stay away from Cambodia due to corruption.”

“Government officials are building big houses rather than investing in the long term software for developing the economy…Chinese and Vietnamese provinces like Dong Nai do more [to develop the economy] than the whole of Cambodia.”

“In Cambodia there are too many steps and informal fees [in manufacturing and importing/exporting]. BBC is the problem—bribes, bureaucracy and corruption. It was getting better for some time, but at times BBC gets worse. There are fewer investors so they are squeezed even more. With SEZs over time it will get better.”

Figure 29: A fairly typical mansion in Phnom Penh

Bello’s (2010b) writing on the subject of corruption in the Philippines also applies in the Cambodia case. He contends that in this discourse, the state is the source of
corruption, so having a greater state role in the economy – even as a regulator – is viewed with skepticism. Neoliberal discourse ties in very neatly with corruption discourse, minimizing the role of the state in economic life and assuming that a more dominant market will reduce the opportunities for ‘rent-seeking’ by both economic and state agents (ibid). I make the assumption that the elimination of corruption in Cambodia would tear apart the current political fabric. Bearing this in mind, rather than focusing on corruption as a practice, I will instead look more closely at the CPP’s and Cambodia’s small ruling clique’s role in Cambodia’s SEZs. Beyond rent-seeking political/economic elites role has been minimal in industry. But SEZs are one important means for both to be brought more clearly into the fold of sub-regional development initiatives. This has numerous implications for both the form and trajectory of border economic zones in Cambodia and its neighboring countries. In particular, it means an increased role for state officials and elites in border economic zones. Whether this newfound role will reduce or expand current patronage and rent-seeking networks remains to be seen.

Oknhas and Industrial Policy

Throughout the course of fieldwork for this dissertation I interviewed numerous experts on Cambodia’s economy, politics and industrialization. A recurring view among these individuals is the lack of a clear policy on industrialization in Cambodia. Interviews cited below are the views of individuals from the private sector, a policy think-tank, an overseas development organization and an inter-governmental organization.
“There is no budget for industrial policy in Cambodia. There are consultations and meetings and studies but the government has no real control…Cambodia is totally free for investors, but it’s still not competitive.”

“There is no real macro-economic policy in Cambodia…in reality [socio-economic development] is based on the first move of the private sector. Policy justifies moves of the private sector. There is not a think tank in government making 10-20 year plans.”

“There is no clear investment promotion strategy in Cambodia…With the absence of a national strategy it is difficult to go beyond this current focus on atomized/individualized industrial zones…From a development point of view I want the government to have a policy on industry…but from a business or SEZ perspective this is irrelevant, there is nothing in it for them to deal with officials or provincial investment sub-committees.”

“I suspect business here is more resilient than generally thought. Some investors see that and will come in…There are advantages in Cambodia, but government is not dealing with investment from the big picture.”

Foreign companies have dominated three of Cambodia’s four economic growth pillars: garments, tourism⁸⁷ and construction,⁸⁸ leaving agriculture, which is increasingly associated with foreign owned plantations and contracting farming.⁸⁹ Cambodia’s Garment industry has been an extractive industry much like forestry concessions: it was a one-off arrangement wherein you deplete the forest and it’s gone forever, or at least decades. Peter Brimble summed up what is quite likely a popular view among Cambodian government officials, saying “It is kind of a miracle that garments [factories] ever came to Cambodia and have stayed here as long as they have” (Interview, November

---

⁸⁷ Management of the Angkor Temple complex, the heart of Cambodia’s national identity, is leased out to foreign corporations.

⁸⁸ Korean construction firms dominate the construction boom in Cambodia.

⁸⁹ China has become a major player in plantations in Cambodia. Rubber is particularly important, fueled by demand for rubber in China’s auto industry and the lack of rubber growing capacity, Chinese rubber plantations are found in many parts of the world.
Reinforcing this view, Sok Chenda, head of the Council for the Development of Cambodia and the Cambodia SEZ Board wrote that “History shows that garments manufacturers move from one country to another, so while we are happy that our friends are providing more than 300,000 jobs for our people, we know that we absolutely need other activities” (Invest in Cambodia 2008:46).

Cambodia’s elites have amassed their wealth primarily through the allocation of concessions on forests, land, mineral deposits, fisheries and heritage sites, together with ‘land swap’ deals on state-owned buildings (Global Witness 2007:10). The effect is to place valuable public assets under the private control of individuals who are themselves part of the ‘shadow state structure (ibid).’

SEZs are being surreptitiously inserted into the national economic development fold by this same group of leading power brokers in the country. They are private interests but they are also investments from the upper echelons of the state, in particular several Oknhas.

Oknha is a prestigious title or award of honor that was created in 1994. Technically it is aimed at those who contribute to the reconstruction and the development of Cambodia. These are mostly influential business people who are connected with the high circles of the ruling power and know, for some of them, how to use this title in order to obtain preferential treatment (Duong 2008). Others are senators and provincial governors with major business interests. The title of oknha could be traced back to the 15th century, under the reign of King Chao Ponhea Yat (1421-1462). At the time oknhas were district and provincial governors as well as the king’s personal councilors, in

---

90 At the time of the interview Dr. Brimble was consulting for USAID and UNDP.

91 Through much of the 2000s tens of thousands of people have been forcibly evicted from their homes and/or land to make way for concessions. This is one of the more critical issues in Cambodia, yet far too complex to bring into this discussion.
charge of royal, military, judicial and agricultural affairs (ibid). Today’s Oknha’s are Cambodia’s ruling class of elites, in many ways taking their feudal namesake to heart. A majority of them are members of the CPP (Duong 2008), and the top oknha’s are leaders of Cambodia’s Chamber of Commerce. According to a 2007 report by Oxfam UK, oknha’s own 23% of territory in Cambodia (ibid).92 One company owned by an oknha, Pheapimex, reportedly controls 7.4% of Cambodia’s total land area through logging and economic land concessions (Global Witness 2007:10). In short, it is a powerful class that wields enormous political and economic weight in the country.

Nearly all SEZs in Cambodia are technically privately owned and developed. One exception is an SEZ in Sihanoukville that includes Cambodian and Japanese government investment.93 A closer look at the SEZ developers and owners demonstrates a fine line between state officials and private owners; in several cases SEZ developers are in government. At least 10 of 21 registered SEZ developers’ posses the oknha title. One more holds the title ‘His Excellency,” which precedes the names of ministers and provincial governors. Six more are registered in the names of women. It is rare in Cambodia for women to head major investments, companies or to hold high level government officials. As demonstrated in the box below, many of these women are wives of top government officials, including the Minister of Finance and former head of Cambodia’s police. Following is a list of select SEZ developers and their political/business affiliations.94 They are all household names in Cambodia.

92 SEZs comprise only 0.03% of total land area (Adhoc 2009)
93 The Japanese government is unable by regulation to invest in wholly privately owned SEZs.
94 Four of the six listed above were identified by Global Witness as being among the top tycoons in Cambodia who were also appointed senators for the CPP. They are Lao Meng Khin, Ly Yong Phat, Kong Triv and Mong Rithy. Together they own six of twenty-one SEZs in the country.
### Figure 30: Select SEZ Developers and Their Political/Business Links

<table>
<thead>
<tr>
<th>SEZ Name</th>
<th>Zone Developer</th>
<th>Political/Business Links</th>
</tr>
</thead>
<tbody>
<tr>
<td>Neang Kok Koh Kong SEZ; Kiri Sakor Koh Kong SEZ</td>
<td>Oknha Ly Yong Phat</td>
<td>CPP Senator and one of Cambodia’s top tycoons (electricity, bridge/road/port construction, casinos, land concessions, etc)</td>
</tr>
<tr>
<td>Sihanoukville SEZ 1; Sihanoukville SEZ 2</td>
<td>Oknha Lao Meng Khin</td>
<td>CPP senator and tycoon; VP of Phnom Penh Chamber of Commerce; president of Pheapimex, which controls 7.4% of Cambodia’s total land area through logging and economic land concessions</td>
</tr>
<tr>
<td>S.N.C SEZ</td>
<td>Oknha Kong Triv</td>
<td>VP of Cambodia Chamber of Commerce and tycoon; Chair British American Tobacco (Cambodia) and some 10 other companies</td>
</tr>
<tr>
<td>Oknha Mong SEZ</td>
<td>Oknha Mong Rithy</td>
<td>CPP Senator and tycoon (Plantations, commodities trading, cattle farming and real estate development)</td>
</tr>
<tr>
<td>Kampong Saom SEZ</td>
<td>Neak Oknha Kith Meng; The “new face of Cambodian capitalism”(^{95})</td>
<td>Chair, Royal Group of Companies (Cambodia's leading service sector conglomerate); president of Cambodia Chamber of Commerce; personal adviser to Hun Sen</td>
</tr>
<tr>
<td>Stung Hav SEZ; Phnom Penh SEZ</td>
<td>Lim Chhiv Ho</td>
<td>Wife of Commerce Minister, H.E. Cham Prasidh</td>
</tr>
<tr>
<td>D&amp;M Bavet SEZ</td>
<td>Men Pheakdey</td>
<td>Wife of former head of Cambodia’s police Hok Lundy, who was considered one of the most powerful people in Cambodia until his death in 2008.(^{96})</td>
</tr>
<tr>
<td>N.L.C. SEZ in Bavet</td>
<td>Leang Vouch Chheng</td>
<td>Wife of PM Hun Sen’s brother and Kompong Cham Province Governor, Hun Neng</td>
</tr>
</tbody>
</table>

Source: Author’s compilation

---

\(^{95}\) He is often referred to as Cambodia’s up and coming Thaksin (former PM of Thailand), though this is not readily met as a compliment. At 40 years old he is the face of a new generation of elites in Cambodia, basing wealth on services, banking etc rather than economic land concessions, vulgar corruption and violence (Crispin 2007; Gluckman 2008).

\(^{96}\) Hok Lundy died in a helicopter crash in 2008. Rights groups contend that Hok Lundy was killed on orders of Hun Sen for challenging his power. Hok Lundy was from Svay Rieng province and was one of the more controversial figures in Cambodia. He was notoriously ruthless. It is rumoured that he is responsible for the murder of over 70 people, including judges and top government officials who opposed him. Human Rights watch said that he "represent(s) the absolute worst that Cambodia has to offer…aside from his boss, Prime Minister Hun Sen, there is hardly anyone in Cambodia who has shown more contempt for the rule of law than Hok Lundy" (Human Rights Watch 2007). In 2006 he was denied a visa to the US due to suspicion of involvement in human and drug trafficking.
The Manhattan SEZ is the only foreign owned SEZ in Cambodia. It is registered under a Taiwanese citizen, Clement Yang, but was originally owned by the secretary general of the Funcinpec party, Nhek Bun Chhay, who is also a deputy prime minister. Larry Kao of the Manhattan SEZ said that Nhek Bun Chhay and his staff purchased much of the land for the SEZ in 2004-2005 but “it all got complicated” and he approached Manhattan to take over (interview, November 13, 2009). He said that initially Manhattan was worried about political conflict with the CPP due to Funcinpec involvement. Hun Sen later agreed to take part in the ground-breaking ceremony for the SEZ in 2005. He said that Nhek Bun Chhay is still an adviser to the zone, but he is not very involved. He reported that Nhek Bun Chhay and Hun Sen are usually responsive to the company’s requests. Mr. Kao explained that the Manhattan SEZ is the “least connected with government among the current SEZs, they work within the system without using personal or social connections with the government.” Obviously and not surprisingly, the norm is for SEZs to be run based on networks and connections.

In summary, SEZs are owned and/or developed by some of the most powerful of Cambodia’s elites who are members of or have close links with the CPP. It is essentially a cross section of people that run Cambodia in what is often referred to as a kleptocracy. It is clear from numerous stakeholder interviews in 2009 that not all SEZs in Cambodia  

---

97 The royalist Funcinpec party was once powerful in Cambodian politics; in the 2008 elections it won only 274 seats at the communal level, compared to 7,993 seats for the CPP, with the Norodom Ranariddh Part (renamed the Nationalist Party) holding 425 and the Sam Rainsy Party at 2,660. In the 2008 national election, Funcinpec and the NRP both fared poorly, winning a total of five seats in the 123-seat National Assembly.

98 In late 2009 Manhattan SEZ did not own all of the land demarcated under the zone. There are at least four additional land owners. He reported a similar scenario at Manhattan’s industrial zone in Kompong Cham province. There Manhattan is using 19 of 28ha of land of the zone, the other 9 ha are occupied and he said that Manhattan would have to pay for them to leave (which they do not seem to want to do), and they do not want to evict them.
are created equal. Many are essentially real estate speculations and it is doubtful that the SEZ will ever materialize. SEZ may be opportunities to launder money or drive up land prices. Others are oknya’s with no experience running zones, but have managed to attract major investments. For instance Ly Yong Phat has signed deals with Hyundai and Khon Kaen Sugar for operations in one of his Koh Kong SEZs (Thai border), in what are probably the two largest and high profile zone investments to date. Lastly, others SEZs are owned and operated by companies with years of experience running zones and manufacturing firms. These include the Manhattan SEZ. Politics and connections are certainly important for these firms, but they are clearly outside of Cambodia’s power architecture.

SEZ are key aspects of political and business elites’ insertion into the border and industrial economy more broadly. Accordingly it is an insertion into the sub-regional economy. This is not a case wherein powerful transnational corporations are making demands of a weak state. On the contrary, the only major foreign controlled SEZ, Manhattan, looks like the proverbial fish out of water when viewed from the perspective I have laid out.

This does not, however, signal a new industrial policy. Rather, SEZs are, in general, part of a process of political-economic consolidation in a few hands. General wisdom holds that states must acquiesce to the needs of international capital if they are to capture value and ‘progress.’ This collides with states led by forces such as the CPP that recognize the temporal nature of capital flows and are more concerned with maintaining power and legitimacy. ‘Competitive’ environments for globally connected firms may or may not arise out of this process, and it may be the case with the Manhattan SEZ.
(Chapter 5), but it is not built into the central rationale of the zones. One person from the Japan International Cooperation Agency who had been working on SEZ promotion for several years summed up his frustration by saying, “the problem with special economic zones in Cambodia is there is nothing special about them” (interview, May 5, 2009). He was referring to the business operating environment, incentives offered to investors and the like. Clearly, if the will exists among the politically connected SEZ developers to implement an environment conducive to global manufacturers they have the ability to do so.

Conclusions

In this chapter I have put forward a differentiated analysis of the evolution of an individual state and economy acting within a sub-regional development framework. This moves away from general stylized models forwarded by the ADB (Chapter 5) and it entails a move beyond market-state debates to explore how the economy, state, labor and multilateral institutions are mutually imbricated, structurally coupled and coevolving. In fact, if one leaves behind the assumption of market self-regulation under the ADB’s GMS, regional integration becomes more appropriately represented as a process by which a new regulatory regime emerges offering new opportunities for profit and power (Hughes 2011). Hughes also contends that “the activities of both state and private actors – and state actors acting in a private capacity – on these borders indicates both their sophisticated appreciation of this, and the level of contestation which their efforts to gain a share of the spoils entails” (Hughes 2011:forthcoming).
The Cambodian state is the most powerful actor in the formation of border SEZs. This is a pronounced shift in the case of Cambodia, a state that lacked autonomy in the social and economic fields in the 1980s-1990s. The CPP recognizes that border SEZs provide important means for its economy to be favorably inserted into the emerging sub-regional and global economy, but that very insertion can fragment the national economy and society and create alternative foci of political legitimacy. It is for this and other reasons that the reach of the state and private sector ‘allies’ is so extensive.

SEZs are an important and new turn for Cambodia’s political-economic trajectory. The physical borders are now more secure than at any point in Cambodia’s history as a nation-state. Border and coastal SEZs owned primarily by Cambodia’s oknhas reinforce the emerging authoritarian state. They are also a component of oknyas’ and other elites capital formation, from domination of one aspect of the economy—largely natural resource based—to globally connected manufacturing, logistics and services zones.
Chapter 7

National Security State Capital and the Politics of Scale at the Thai-Burma Border

Introduction

The political processes building a border economy in Mae Sot over the past 10-15 years sheds much light on the politics of scale and the ways in which states do and do not seek to link their territories and citizens with the political dynamics, economic systems and natural resources of neighboring countries (Walker 2009). Doing so demonstrates much about the territorial diversity and flexibility of state practices in the sub-region, and how this facilitates certain links with regional and global trade and production networks, while preventing other links. This chapter builds upon Pitch’s (2007) contentions that the Mae Sot SEZ initiative, combined with the infrastructure development at Mae Sot, are part of realizations that local autonomy is crucial to promote economic growth in the area. However, these ‘local realizations’ are coupled with fractions of central state officials and national-regional-global business interests, meaning local-central binaries obfuscate the important changes underlying these initiatives.

The SEZ proposal has met resistance on the national and local levels for a number of reasons. First, if implemented it would alter Thailand’s constructive engagement policy with Burma by deepening economic and social links at the border. Secondly, the proposal is highly politicized due to its sponsorship and association with the
administration of former PM Thaksin Shinawatra. Third, the new spatial administration of the proposed SEZ would undermine the ‘traditional’ military and police dominance of Thai borders and the hegemonic position of ‘national security state capital’ both at the border and perhaps deeper into Burma.

In this chapter the focus is the changing state regulation along the border and the coupled contestation over re-production and policing of physical boundaries that shows a clear connection between borders and state power (Gainsborough 2009). What I present is an account of the Thai-Burma frontier which goes beyond generalized ideas of cross-border ‘cooperation,’ central-local power dynamics and neoliberalization. As a result, this chapter does not provide a picture of powerful transnational corporations and international lending agencies making demands readily met by an eviscerated state, or a state that chooses to withdraw from a particular space. By focusing on the sub-national scale I highlight a state that is not monolithic and a global factory that – while undoubtedly footloose for the most part -- is also differentially deeply imbricated in the concrete specificities of an emerging border space. One consequence of this analysis of economic and social restructuring along the Thailand-Burma border is that Mae Sot defies any easy designation as neoliberal space, as the product of a strong or weak state, or as an export-processing island driven by the production needs of global value chains. Instead, Mae Sot demonstrates that the politics of scale plays out in important ways, particularly regarding re-territorialization and domination over populations of migrant workers from Burma.

This chapter begins by outlining what is at stake in Mae Sot and its bordering ‘sister city’ in Burma, Myawaddy. Infrastructure development is ongoing in the border
Border Growth and Mae Sot-Myawaddy

There has been a renewed interest in Thailand’s borderlands as a focus of state development initiatives since the end of the Cold War. This has been coupled with intensive lobbying on the part of provincial and local state and business officials for more autonomy in the political economy of border areas. In the mid-1990s the Tak provincial Chamber of Commerce began efforts to establish a special economic zone (SEZ) in Mae Sot. Mae Sot is officially the busiest border trading route between Thailand and Burma, and over the past decade it is a rapidly industrializing zone, due primarily to abundance of low cost migrant workers from neighboring Burma. The initial strategy sought to establish an SEZ that would encompass three Thai border districts and the neighboring city of Myawaddy, Burma. The long term objective is to establish a duty/tax free production and trade zone, wherein manufacturers could share production on both sides of the border, finishing export products on the Thai side.
Infrastructure Development and Myawaddy/Burma

The Thai government has been moving forward with its infrastructure led growth strategy in the Mae Sot-Myawaddy area. It is taking on a role the ADB has played in much of the GMS due to the ADB’s restrictions on direct loans and financing for projects in Burma. Plans approved for the Thai side of the border include a second Thai-Myanmar Friendship Bridge that can accommodate larger trucks; construction of a flood prevention system in Mae Sot and Mae Ramat districts; city planning and logistics planning (including an inland container depot in Mae Sot); widening of the 86km road from Mae Sot to Tak from 2 to 4 lanes; and a proposal to construct a rail link from Mae Sot to Tak (Mahanathee 2009).

Another important component of the areas development is Thai government funding for infrastructure projects in Burma. For example, the 18km Mae Sot/Myawaddy-Thinganyinaung/Dawna Range Road Construction Project was finished in 2006 under the Ayeyawady - Chao Phraya - Mekong Economic Cooperation Strategy (ACMECS) project (122.6200 million baht budget) (ACMECS 2009).99 The project is being extended with the 40km road over the mountain range to Kawkariek, Burma. Prior to construction the 40km section is a single lane road going over mountains rather than through mountain passes, meaning the road is narrow and steep and traffic must move one way on alternating days (interview, Niyom Wairatpanij, Chairman, Tak Chamber of Commerce, 2009).

99 In 2003, the former Prime Minister of Thailand Thaksin Shinawatra initiated a regional economic cooperation program fully complimentary to the ADB’s GMS Program with the objective of more thoroughly integrating both cross-border regions and the GMS as a whole. According to the Bagan Declaration (Bagan, Burma, on November 12, 2003), Cambodia, Lao PDR, Myanmar and Thailand agreed to establish an economic cooperation initiative called the Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy (ACMECS)99. Vietnam joined in 2004. The objectives of ACMECS are to increase competitiveness and economic development among ACMECS countries. Like the ADB GMS Program, the ACMECS Action Plan promotes economic cooperation in trade and investment facilitation, agricultural and industrial cooperation, transport linkages, and human resource development.
Construction began in 2009, it is also under the ACMECS program. Both projects are funded by Thailand’s Ministry of Transport and Department of Highways. Upon completion the road will link Myawaddy/Mae Sot and Rangoon.100

Figure 31: The Mae Sot border checkpoint

The Burmese Junta has identified Myawaddy as one of six SEZs planned for the country. The Industrial Estate Authority of Thailand completed a feasibility study for the construction of industrial zones in Mywaddy, Mawlamyine and Pa-an in 2005 (IEAT 2005). This led to the implementation of the plan in Myawaddy beginning in 2006. The total area of the Myawaddy border trade zone is 460 rai (73.6ha), and includes offices, distribution centers, a goods inspection unit and a one-stop customs service area covering 180 rai (28.8ha). The complex includes an area for truck terminals, and an industrial zone is complete with five investors in 2009 (Mahanathee 2009). The zone was

100 The Karen Human Rights Group report, “Development by Decree” uncovers the Junta’s rationale behind the road construction and provides extensive details on the human rights abuses that occurred while expropriating land for the road and during its construction.
constructed using the Musae trade zone on the Burma-China border as a model. The development plans for Myawaddy include commercial buildings, office buildings, condominiums, a business complex, commercial banks, hotels, resorts, restaurants and entertainment complexes (ibid).

Niyom Wairatpanij (Chairman of the Mae Sot Chamber of Commerce) said that the Myawaddy zone is nearly ready, but that the Thai side is not following through on its plans for the SEZ because of the new government, referring to the post-2006 coup Democrat led government that took office from December 2008 (interview, October 22, 2009). Apisit Cholsakorn, Vice Chairman of the Mae Sot Chamber of Commerce, voiced his frustration saying that “The Myanmar side has started [the SEZ] already, but on the Thai side it’s still on paper” (interview, October 23, 2009). Ultimately, according to Mr. Apisit, they want to join the 3 Thai border districts with Myawaddy, creating a ‘true’ border SEZ that will include a duty/tax free policy in the two areas. This would benefit industry, for instance, by eliminating the 10% export tax from the Burma side, making it feasible to share production across the border. In this scenario, garment firms could exchange semi-finished products across the border with finishing and export taking place on the Thai side.

Combined, the opening of an industrial park and trade zone in Myawaddy and the further development of physical infrastructure in Burma demonstrate a continued push to expand trade and production links. However, like the Thai state but for a different set of reasons, the Burmese Junta is moving toward deeper integration cautiously. Dr. Naing Aung, Secretary General of the Mae Sot-based Forum for Democracy in Burma, contends that the Junta does not want to see economic booms occurring in the border areas where
ethnic insurgent groups still maintain strongholds. Myawaddy is different from Burma’s border with China (such as Wa and Shan states) since the SPDC directly controls it (interview, November 21, 2009). However, the Karen National Liberation Army (KNLA) has several strongholds in the Myawaddy vicinity, with bases only 6-24 hours from the area, and occasionally the KNU threatens areas near the road from Myawaddy to Rangoon. This lack of security in the area, not surprisingly, justifies the broader project of border securitization on the Thai side, despite calls from Mae Sot business and government demands for a more open, liberal border and trade policy (see below).\footnote{Of course, many business and state interests on the Thai side wish to see the Junta address its political problems and assert control of its borderlands. Mr. Niyom from the Tak Chamber of Commerce was very clear that he is hopeful that the forthcoming election in Burma in 2010 will resolve its border problems so that the country can focus on liberalization rather than security. (Interview, October 22, 2009).}

In summary, these infrastructure projects show commitment on the part of the central government to deepen links with Burma. The Burmese side has demonstrated its ambition to forge deeper links with Mae Sot, though the Junta is certainly moving ahead cautiously. However, the will to move from the built environment into deeper social and political relations is a very controversial matter.

**The Mae Sot-Myawaddy SEZ: Re-territorializing the Borderlands**

Mae Sot elicits grand proclamations about its economic potential, based on both its geographic position in the sub-region and the trajectory of its trade relations and industrialization. The Mae Sot (Tak) Chamber of Commerce has long promoted it as the ‘gateway to Europe,’ projecting its ambitions into the ‘Asian Highway’ in planning since 1959. It would create a continental road network from Da Nang in Vietnam to Istanbul in Turkey and on to the European Union. A team from Chiang Mai University conducting a
feasibility study for the Mae Sot SEZ contend that “…it is possible for [the] Tak Border Economic Area and Thailand to be a trade center in the region and in the world…” (CMU 2007:28). These views of Mae Sot may be grandiose, but are significant in that they are projected from the city outwards rather than views projected onto Mae Sot from major metropolitan areas like Bangkok. In other words, it is a discursive turn of “the periphery into the center of growth” (Kudo 2009). However, from Bangkok, Mae Sot is still largely perceived as a peripheral border trading city with neighboring Burma, and perhaps most importantly an integral part of state security since it is the primary gateway of the flow of the Thais ‘evil and aggressive neighbors. From this perspective certain central state authorities are easily threatened by expansion of Mae Sot’s socio-economy and a structural change in political-economic relations with Burma. Thus, paradoxically, those living on the border view their neighbors as an opportunity, while prevalent views from Bangkok are full of the perceived (and real) threats of disease, drugs, crime and other social ills.

Ambitions for Mae Sot as a center of globalized growth are linked in no small part to ADB-led initiatives for cross-border trade, infrastructure and production. Mae Sot is planned as a key logistics and distribution hub on the East-West Economic Corridor linking Da Nang, Vietnam with the deep sea port planned for Dawei, Burma. This ‘land bridge’ would cut nearly two weeks off shipping time from East Asia to South and West Asia in bypassing the Straits of Malacca. Importantly, Mae Sot is a key inroad to deeper liberalization of resource-rich Burma, one of the last major ‘untapped’ nations in East and Southeast Asia. Political and business interests in Mae Sot and other parts of Thailand are keenly aware of this and a key means for them to both expand beyond their current
economic growth rates to meet what they perceive as high economic growth potential is to establish a special economic zone. The shape and meaning of SEZs has changed quite often over the past several years, the following section provides a brief review of these variations leading up to its (possible) iteration in 2009.

The Mae Sot SEZ Initiative

In contrast to the process of central state-led SEZs in Cambodia, Mae Sot and other Thai border zones have emerged from a complex intertwining of locally-led initiatives generated by local-provincial government and business and lobbying the central government for special economic zone status. In summary, the local state in Mae Sot has been trying to move deeper into the realms of economic development and political autonomy of the area. However, this has met resistance from the central government, and more recently from political leaders within the local government.

Special economic zones and industrial areas on or near Thailand’s borders are currently promoted to attract and maintain investment flows and ‘manage’ migrant labor. Efforts to establish a SEZ in Mae Sot entail the convergence of local level efforts promoting economic growth and East Asian efforts to see it, among other border nodes, become a key hub in larger regional production and trade networks. The ten plus year process of establishing an SEZ in Mae Sot-Myawaddy is complex and provides valuable insight on the production of regional and global spaces in Thailand and the GMS more broadly.

The legal status of SEZs in Thailand is currently in limbo. In January 2005 a special economic zone bill passed in the Thai cabinet, it approved steps for SEZs in 3
locations in Thailand: Mae Sot (in Tak province), Chiang Khong in Chiang Rai province (targeting borders with Burma, Laos and China), and Sadao district in Songkhla province (targeting the border with Malaysia). The SEZ bill of January 2005 is still awaiting passage into law by parliament.

In Thailand an SEZ is different from a special border economic zone (SBEZ). The SBEZ program was first implemented in 2003 in Chiang Rai province, followed by Mae Sot, Mukdahan on the Laos border, and Trat on the Cambodia border. A SBEZ is primarily about special budget allocation and city planning, whereas an SEZ entails structural changes in the administration of territory and requires new laws.

The 2005 SEZ bill was proposed by two major state authorities, the Industrial Estate Authority of Thailand (IEAT) and the National Economic and Social Development Board (NESDB 2005). The rationale of the bill addressed the limitation of the 1979 Industrial Estate Authority of Thailand Act, which limits the organization’s legal power to the industrial sector (NESDB 2005). The IEAT is a state enterprise. Essentially, the IEAT has no authority outside of an industrial estate, export processing zone etc. An objective of the SEZ bill is to establish more comprehensive and flexible control of entire districts and new towns, with the IEAT acting as one of several executive members of the new SEZs. A key component of the bill is that the economic area be considered a juristic person, wherein the administration is in the form of an area-based management with much greater flexibility and authority (CMU 2007). The government explicitly made reference to the Shenzhen Special Economic Zone of China and Mexico's Maquiladora programs as models for both the promotion of economic growth and the new structure of administration and new regime of labor management and control (Arnold 2007; CMU
A major difference with Maquiladoras and China’s SEZs is industrial investment is located within the Thai border, rather than investors moving across the border to the less developed country, in this case Burma.

The 2005 SEZ bill met stiff resistance in certain media outlets and special interest groups, and was also resisted by government agencies, most prominently the Bangkok Metropolitan Administration. Opposition was largely centered on the proposed 521 km² Nakhon Suvarnabhumi “Aerotropolis” or a central air hub and urban center around the newly constructed Suvarnabhumi airport (NESDB 2005). The proposed new city around the Suvarnabhumi Airport, opened in late 2006, was associated with the SEZ bill, though it did not fall under its jurisdiction. It would have required a law separate from, but similar to the SEZs. The Aerotropolis proposal included: 1) the development of an international industrial park; 2) the development of international commercial and trading activities; 3) the development of a transportation and logistics center of Southeast Asia; and 4) overall area development of the aerotropolis comprising housing development, recreational activities, empty or green space and public parks (NESDB 2005).

Opposition also centered on the proposed industrial zone in Chiang Saen, which was identified as the first test site for a border industrial estate in Thailand, prior to the SEZ bill. Mae Sot is an industrial area, but is not a registered industrial estate, -zone, -park etc. In Chiang Saen the IEAT identified 5,000 rai (800ha) of land suitable for an industrial zone, but protests over potential environmental degradation led to scrapping of the proposal. After strong local opposition to the industrial estate, the government decided to register Chiang Saen as a ‘World Heritage Site’ due to the heritage of Lanna culture, in line with demands from groups in Chiang Saen (Tsuneishi 2008; interview
NESDB October 5, 2009). In short, the two primary fronts for opposition to the SEZ bill, the aerotropolis and Chaing Saen, were not specifically identified among the first three SEZs to be implemented. Ironically, in the initial year of the SEZ bill there was little to no public opposition to the SEZs slated for Mae Sot, Chiang Khong and Sadao, yet they were associated with other “SEZs.”

In specific reference to Mae Sot, the SEZ bill was criticized and later opposed by many central government officials concerned that the Mae Sot SEZ would attract more migrant workers from Burma, rather than acting as an ‘economic dam’ to prevent their flow into central Thailand as proposed by Mae Sot interests (interview, Chaiyuth Seneetantikul, Chair, Federation of Thai Industries, Tak Chapter, October 28, 2009). Ultimately members of the Thai Rak Thai government of former PM Thaksin withdrew the SEZ bill from parliament in 2006, prior to the 2006 coup (Pitch 2007). The status of SEZs in Thailand is politicized both pre- and post 2006 coup. Thaksin’s Thai Rak Thai party was certainly responsible for much of the advances made on border town development and ultimately the proposed transition to an SEZ law, but it is a policy, albeit a vague one, that pre-dates Thaksin’s government. Regardless, post-coup politics in Thailand, particularly the current form and rise of (ultra) nationalist politics shapes proposals to further develop Mae Sot in important ways.

Challenging the National Security Border Regime

A critical aspect of the border regime as proposed by the SEZ bill/initiative, and one that is unpopular for another set of reasons, is changing relations with Burma and potential deepening of social, political and economic ties. This entails a reformulation of
border policy from a national security toward a liberalized or free market position. Since 1988 a number of Thai military personnel and prominent Thai corporations, in particular those with military links, have benefitted greatly from economic relations with Burma, primarily in natural resource extraction (Glassman 2010). Examples include the Electricity Generating Authority of Thailand’s many hydroelectric power plants, logging concessions, gem trade and more recently former PM Thaksin’s Shincorp’s telecommunication packages (Glassman 2010). The Thai military and police are also involved in a wide array of illegal activities, including trafficking of people and numerous goods (see Human Rights Watch 2010a).

An important dimension of Mae Sot that Pitch (2007) brings to the fore is the cold-war era trade networks that thrived in Mae Sot, particularly those among the Karen National Union and business/smugglers in Mae Sot, which include private enterprises, the army, police and others in the state. The running of timber, drugs, gems and humans is the foundation of the modern Mae Sot economy (Pitch 2007), over the years garment and knitting factories, tourism and other industries have become increasingly prominent. With the demise in strength of the KNU in bordering Karen state, combined with the gradual ‘opening’ of Burma, the character of Mae Sot and its business has changed as well.

In many ways business and the state (or army, border police etc) have moved in lock step: Thais supplied the KNU with arms in exchange for timber, gems, drugs etc, and business in Mae Sot was an integral part of this, in fact it is somewhat difficult to delineate the two. With the SEZ and related initiatives what is taking place is a move from the predominance of the ‘illegal’ or ‘traditional’ Thai-Burma border economy to a
more globally integrated or ‘legitimized’ form of capital accumulation. It is part of initiatives initiated in the early 1990s that aim to bring the border economy into the national fold and broader development plans.

A primary impediment is the national security state agencies that do not stand to benefit from this changing arrangement, or would be forced to seek new ways to profit from it. Pitch (2007) found that the local state in Mae Sot has been attempting to forge a separation from the domination of the security state, which gives no space for the local self-government in the regulation of the border area, particularly in terms of economic development and political autonomy.

The security state agencies play a critical role in Mae Sot’s development, particularly in structuring what is possible in the area. This includes corruption and rent-seeking activities, but also border trade and the regulation of migrant workers. The power of the military overrules the administrative authority of the Ministry of Interior and the Customs Office in terms of trade (Pitch 2007). According to the law, if border tensions intensify then the Military Regional office, not the Ministry of Interior, controls the area (ibid). The Mae Sot-Tak Chamber of Commerce, Federation of Thai Industries Tak Chapter, the Mae Sot mayor and provincial governor have been trying to move deeper into structuring the economic development trajectory of the area, in order to more strategically forward their business and political interests. It is a liberal, free trade agenda that they forward. Initiatives like the SEZ would, in many ways, give the ‘central

102 “Members of the Chamber of Commerce are entrepreneurs who have been engaging in the border economy for a generation. They have been frequently outraged when the regional armed conflicts take place causing the Myanmar government to close the border. Unlike the military that prefers the frontier situation to guard off all socialist influences from Myanmar since the socialist revolution, the Chamber of Commerce is advocating opening the border and to down play the national military based security.” (Pitch 2007)
government’ more power in the realm of economic development and provincial/local politics, but this insertion would, at the same time, empower ‘local and provincial’ economic and political interests. Thus, these ‘new’ social forces (i.e. garment factory owners, road builders, gem traders and many local political leaders) are attempting to displace the ‘traditional’ powers of the border, and this process stretches throughout Thailand, namely the military-royalist-bureaucrat coalition who has held great power and sway over the national economy and politics for generations. Thus, the SEZ initiative is an example of capital’s need not only to disembed economic relations from their old social integument but also to re-embed them into new supportive social relations (Jessop and Sum, 2006).

I have already shown that the police regulate the migrant population at the border and gain much economically in the process. In fact, Mae Sot is one of the most sought after police postings in Thailand. Police also extract rent from factory managers in the area who employ unregistered workers. Thus, clearly the army and police have constructed a status quo in Mae Sot over the past decades, and they undoubtedly seek to protect their interests. Regarding labor, the SEZ initiative proposes more flexible migrant registration systems in which SEZ administrators determine labor needs, independent of central state registration schemes. The objective is to ‘legalize’ a higher proportion of the current migrant worker population in the area. For business the interest is to shift away from the currently cumbersome and often changing registration systems that are costly and generally not effective in terms of workers and employers participation. It would grant more flexibility for employers, and importantly it would reduce or even eliminate police rent seeking for employing unregistered migrants. In this scenario, the SEZ
undermines the powers that police enjoy over the migrant. I hesitate to contend this could lead to improvements for migrants’ work and living conditions in the area, as the despotic control of the police in the area could be replaced by another actor. But, Chapter 3 argues that migrants in Mae Sot are subject to a dual-despotic control—both police and at the factory. They are increasingly able to negotiate with employers, yet it is not possible with the police.

In summary, efforts to establish an SEZ in Mae Sot represent a vision of liberalized capital accumulation that gels with ADB-led initiatives for the GMS that forward (neo)liberal economic integration. The Mae Sot SEZ represents a liberal geo-political vision of borders as incubators of socio-economic growth in the sub-region. These conflicts demonstrate the ways in which certain fractions of the state and private sector do and do not seek to link territories and citizens with the political dynamics, economic systems, labor and natural resources of neighboring countries (Walker 2009). It shows the ‘traditional’ social forces attempts to maintain current forms of territorial practices. At the same time, liberal visions of growth in the case of Mae Sot, Myawddy and the GMS in general are largely predicated on primitive accumulation, the despotic control of vulnerable migrant and informalized labor, and more broadly uneven development in the sub-region (Glassman 2010).

**Conflicting Scales of Re-territorialization**

In 2004 Tak province, the NESDB and concerned government agencies conducted a study to develop operational plans for the establishment of the Mae Sot border economic area as a production base along the East-West Economic Corridor under
the GMS framework (CMU 2007). The study found that Mae Sot had the potential to operate in four economic areas, industry, merchandize, tourism and agriculture. Chiang Mai University was commissioned to conduct the feasibility study on three aspects of the border economy: industrial estate establishment, adjusting the agricultural production structure, and an environmental impact assessment at both the local level and the border economic area. The Tak Governor was designated as the chairperson responsible for managing the project (CMU 2007).¹⁰³

The findings of the report, in terms of industry, are for Mae Sot to be the first industrial estate linking investment with Burma as a border economic co-production area. Chiang Mai University submitted the final report in February 2007 and the main findings were rejected by the NESDB and the IEAT because the three proposed sites for industrial zones are in protected forest area (interview, NESDB, October 5, 2009;), and due to the conflicted scales of government administration. Contesting this view, the head of the CMU project, Dr. Anurak Panyanuwat, and both the Chair and Vice-Chair of the Tak/Mae Sot Chamber of Commerce claim that the report findings, and the SEZ in general, are not moving forward due to political reasons, since the SEZ project is associated with deposed PM Thaksin (interviews, October 22 and 23, 2009). I will show that the political and scalar views are both are correct.

¹⁰³ Chiang Mai University assigned the University Academic Service Center to act as the coordinating and managerial unit to work with 13 faculties, institutes and centers comprising 85 faculty and staff and 65 personnel, making a total of 150 research staff working under the Project Executive Committee chaired by the Vice President for Administrative Affairs and all the deans and directors of the relevant faculties/institutes/centers as committee members.
According to Thailand’s administrative laws, government regulations divide administrative units into three levels: central, regional and local (CMU 2007). In the case of Tak province, the lines of authority of these different scales do not directly link to the Governor. Each of these local, regional and central level organizations are independent of one another, with their own authority and their own laws. When they enforce their laws, they do not coordinate with other organizations. This is known as the bureaucracy administrative system, and is characterized by functional-based management. In short, this system has complicated with fixed working procedures, concise regulations and lines of authority, and the administration lacks independence (CMU 2007). The existing laws do not have a system for eradicating authority conflicts between the different levels of organizations which are located in the area.

Referring to the above problems, the CMU team proposed, mirroring the SEZ bill of 2005, establishing an area-based management which provides more independence for responsible authorities. It is a form of management with a host organization responsible for the administration. It is mandated to administer economic, trade and investment promotion; providing benefits in import-export tax exemption (a free trade zone); exemption and deduction of income tax; infrastructure development and a one-stop services center; and managing environmental issues, social problems, migrant labor issues, and health problems in the three border districts (CMU 2007). It would also be

---


105 These organizations are, for example, the 4th Infantry Regiment Task Force, Mae Sot Customs House, Tak Immigration Office, Tak Animal Quarantine Station, Tak Fish Inspection Office and the Tak Plant Quarantine Station (CMU 2007).

106 Although the government has adopted the integrated administrative principle, or the Chief Executive Officer (CEO) regulation implemented under the Thai Rak Thai government, the Tak governor can only integrate the administration of regional-level organizations in his/her line of authority. Other central-level and local-level organizations have independent authority in accordance with their laws.
tasked with cooperating with the Burma to support the project development and execution. The study suggested, in broad strokes, a form of administration for the proposed SEZ in the three border districts. In summary, they proposed a Public Organization Administrative System. This is a government organization which has the status of a juristic person. It has its own administrative method which differs from the bureaucracy system and state enterprise system. The administrative system would be independent and would not have to follow rules and regulations of either system. It is an area based management system that seeks to address the current ‘problem’ of conflicting laws and conflicting powers of the different units operating at different scales of government. The Guangdong Province Committee for Administering Special Economic Zones and the Shenzhen municipality’s administration of the Shenzen SEZ were cited as models for the Mae Sot SEZ administration in the 2007 CMU study. The CMU research team visited one of China-Burma border economic zones, Musae, as part of their research.

The SEZ bill as proposed for Mae Sot is difficult to implement, particularly the problem of authority transfer. To transfer the authority of related organizations—including

107 The state enterprise administrative system’s objective is to carry out industrial or business activities, but the administration of the border economic area concerns public services which require some public authority. The border economic area administration may affect right and freedom of people, but the state enterprise administration, in general, does not. State enterprise administration is also intensively controlled by central government, so it is quite facile. (CMU 2007).

108 The draft SEZ bill designated two levels of management, 1) at the level of Special Economic Zone Policy Committee with the Prime Minister as Chairman, and 2) up to ten committee members to propose for cabinet consideration issues relating to policies and the setting up the of SEZ and the supervising the SEZ administration (NESDB 2005). The second level is the Executive Board for the SEZ, comprising Chairperson, Governor of the SEZ, Provincial Governor, two representatives of local administration organizations, and not more than five experts to do the work of policy formulation and guidelines for the SEZ’s operation (NESDB 2005). When SEZ is set up, all the activities, assets, liabilities, and employees of IEAT must be transferred to the Office of Special Economic Zone Policy Committee, with IEAT Governor serving as Secretary-General of the Policy Committee (NESDB 2005).
the Department of Industrial Works, Department of Public Works and Town & Country Planning, Office of Natural Resources and Environmental Policy Planning, The Board of Investment of Thailand, The Customs Department, Local Administration Organization, etc. – to a newly established public organization in the Mae Sot border economic area, it is necessary to set up agreements among these state organizations, which is, of course, quite difficult (CMU 2007). For this reason that the NESDB now claims that China’s SEZs are no longer an effective model for Thailand (interview, October 5, 2009). Now, they say, “there is no model, we are just taking first steps [toward implementing SEZs].”

The ‘Special City’ Initiative in Mae Sot: Why a New Border Regime is ‘Necessary’

On October 6, 2009 the Thai Cabinet approved a Ministry of Commerce project to develop a special economic zone in Mae Sot, consisting also of a one-stop service center and a logistics park. This is also awaiting passage into law by parliament, and according to an informant at the National Economic Social Development Board “it will not happen anytime soon” (interview, October 5, 2009). This was also confirmed by the Chairman and Vice-Chairman of the Tak/Mae Sot Chamber of Commerce in interviews.

In 2007 Thai authorities began another initiative, this time to make Mae Sot a ‘special city’ (Mueang Phiset, “เมืองพิเศษ”). It is considered a way to solve the problem of implementing an SEZ. This proposal includes three administrative units of Mae Sot district: Tha Sai Luad, Mae Pa and Mae Sot municipality, excluding Mae Ramat and Phob Phra districts that were included in early SEZ initiatives (see Figure 7, Chapter 1). Mae Sot district is comprised of two municipalities (Mae Sot and Tha Sai Luat) and nine sub-district administrative organizations (or tambon administrative organizations) (one of
which is Mae Pa), which are a rural municipality with limited resources. Of the three proposed for the ‘special city’ Mae Sot has the largest population with 27,205 residents. Mae Sot was established in 1937, and upgraded from town to city in 2001. It is followed by Tha Sai Luad sub-district municipality, established in 1999, with a population of 5,347 and comprising 10.10 sq km, and Mae Pa sub-district administrative organization, established 1997, population 10,211, and covering 198.33 sq km. (All figures 2003, Pitch 2007).

This plan was put forward by local authorities and the NESDB (Sai Silp 2007). The plan is modeled, in part, on Thailand’s two special administrative areas, Bangkok and Pattaya. The two differ in that Pattaya is a special kind of municipality, while Bangkok is both a province and a municipality. Both are run by elected local legislative authorities, rather than appointed officials. The mayor of Mae Sot suggests that this new structure “would be better equipped than Bangkok to tackle such local issues as migrant workers and border trade problems (Sai Slip 2007)”.

This initiative is the source of controversy and is, like the SEZ bill, being blocked. This time, however, resistance is coming from local political leaders.

Mr. Apisit (interview, Apisit Cholsakorn, Vice Chairman, Thai Chamber of Commerce Tak, October 23, 2009) said that they [Mae Sot] want to become a ‘special city’ or metropolitan area so that they have more independence to set their own policy. They want the flexibility to implement initiatives such as road building, with control of their own budget without needing to go to the ministry of interior. In the longer term, they want to make their own decisions for the direction of the area (ibid). He went on to say that Pattaya can move quickly to set their agenda, whereas the process in Mae Sot is
too slow. Mae Sot is an emerging logistics center on the East-West corridor, it is a major border trade area and it has the potential to be a major industrial center “because they have much labor” (ibid). If Mae Sot is “stuck with its normal” municipal law then it will not be able to expand to meet goals as a major hub; to do that he claims “a big move on policy” is needed (ibid). An example is the Mae Sot airport. Currently the airport has a 1,500 meter runway, but it needs to expand by 600 meters to accommodate Boeing 737s. Currently only small planes can land on the strip, service is limited to only a few flights per week (after a several year gap with no air service), and the planes servicing Mae Sot are quite old and considered dangerous by most people. Mr. Apisit contends that this hurts business, since factory managers want to fly to Mae Sot, not drive 7 hours from Bangkok, and he notes that it also hurts tourism. Under the Thaksin administration budget was approved for a runway expansion feasibility study, but budget for the construction has not been allocated. The movement for the establishment of the Mae Sot SEZ and/or the special city, combined with the infrastructure planning at Mae Sot, shows that the local state and business associations feel that they have the capacity to deal with economic development planning, realizing that local autonomy is crucial to promote economic growth in the area.

Establishing a ‘special city’ as proposed necessitates combining the Mae Sot municipality with Tha Sai Luat municipality and Mae Pa sub-district. Together it would be considered a metropolitan area. In 2004-2005 all three administrative units were in favor of establishing an SEZ in Mae Sot (Pitch 2007), but in late 2009 authorities in Tha Sai Luat changed their position and are blocking this new initiate (interview, Apisit Cholsakorn, Vice Chairman, Thai Chamber of Commerce Tak, October 23, 2009).
Officials in Tha Sai Luad to not want to be incorporated into a ‘special city’ because in doing so they would submit much authority and power to the larger Mae Sot municipality. In other words, some officials would lose positions of power and economic benefit. If a new administrative structure is adopted many would be pushed into lower positions, while others out of the administrative structure altogether. Tha Sai Luad is a critical component of the ‘special city’ initiative since it is the municipality that is on the physical border with Burma; Mae Sot municipality is about 8km away from the border and the bridge. Mae Sot district is expanding rapidly and the city of Mae Sot is becoming congested, so expansion, particularly inland container depots, free trade zones and industrial estates will likely be located in Tha Sai Luad, Mae Pa and other areas. Obviously, this means that officials in Tha Sai Luad have increased bargaining power with Mae Sot municipality officials. However, due to the rapidly changing nature of these initiatives, it is easy to imagine changing positions from top Tha Sai Luad leaders if their interests are secured.

Conclusions

It is tempting to conceptualize dynamics along the Thai-Burma border as central-provincial-local struggles for power over territory. For instance, Pitch (2007) contends that the 2005 proposal for the SEZ is an attempt to (re-)centralize decision making power to the central state. In important ways this is playing out, but the logic, alliances formed and interests put forward complicate these notions. Furthermore, it is tempting to find in these processes the ‘neoliberalization’ of the Mae Sot political economy (see Ong 2000, Sparke et al 2004 on the case of the Growth Triangle). Rather than view these processes
through the lense of central-local binaries or neoliberalization, I argue that Mae Sot demonstrates a complex cross section of central-provincial-local interests are active in shaping Mae Sot’s ambitions to become a new center of the globalizing GMS. It complicates these three scales and the tendency to assign to different actors a notion of their scalar interests based on their geographic location, or capital interests. For instance, the Chairman of the Tak Provincial Chamber of Commerce (Niyom Wairatpanij) lives in Mae Sot and headquarters his business there, while serving as Vice Chairman of the Board of Trade of Thailand, Vice Chairman of the ACMECS Business Council, and Chairman of the Economic Promotion with Neighboring Countries Committee. Despite these national and sub-regional positions and interests, when speaking of the Mae Sot SEZ he can be perceived to represents ‘local’ interests. In fact, his interests are local, provincial, national, sub-regional and global simultaneously.

What I have presented is a business-state alliance, comprised of competing fractions of both, that seek flexibility to overcome the ‘traditional’ social integument of the bureaucracy-military-police in Thailand and their dominance of political and economic affairs. In particular, initiatives of the PM Thaksin government, building on border economic development initiatives of the NESDB through the 1990s, constitute a structural shift and perhaps more importantly, implementation of a changing perspective of the borders as security concerns toward the borders as an economic opportunity. This clearly demonstrates that states are not monolithic. A result is deep tensions among competing visions of national-cross border governance and development between the ‘traditional’ or ‘old’ social integument and liberal economic visions. These liberal economic initiatives gel with the ADB’s vision of a ‘borderless’ GMS. The depth of
these conflicts demonstrates that much is at stake in peripheral centers of globalized growth.
Chapter 8

Conclusions

This dissertation has focused on two emerging border economic zones in the GMS, Mae Sot in Thailand (Burma border) and Bavet in Cambodia (Vietnam border). In these places state practices, changing labor regimes, the shifting Asia-regional division of labor in globalized manufacturing networks, and multilateral agencies ambitions embed a sub-regional economy in the circuits of the global factory. I presented a differentiated analysis of the evolution of individual states and economies acting within a sub-regional development framework. This approach explored how the economy, state, labor and multilateral institutions are mutually imbricated, structurally coupled and coevolving.

The central thesis of the dissertation demonstrates that mechanisms of global economic management, regulation and control are a fragile, eclectic mixture. Governance networks comprising state practices, labor regimes, globalized production networks and multilateral agencies are creating spaces for capital accumulation in the borderlands of the GMS. I explored these governance networks primarily through the prism of global production networks to understand competing interests within and among states, capital and multilateral institutions. No one actor can independently configure and maintain the geo-economic and geo-political re-ordering taking place in the GMS. This is largely due to the fact that space making is never only about locking in capital, but also about shaping a range of political desires through spatial reconfigurations that offer new
opportunities for profit and power. From this perspective space is multiple and contingent, and global and situated elements combine to create regulatory regimes that offer new opportunities for profit and power. Control of feminized and migrant labor requires new forms of spatial administration, and the different forms these take within the GMS offers insight into changing global-local governance structures and practices.

Throughout the GMS specific border and cross-border zones once seen as territorial boundaries for state power and sites of inter-state conflict are now rapidly being re-articulated as functional regions requiring their own structures and practices of governance. The border is increasingly becoming the site in which these new articulations of investment and spatial administration are emerging. Regional integration is, as a consequence, becoming more appropriately represented as a process by which new regulatory regimes emerge, offering new opportunities for profit and power (Hughes 2011).

Important layers of the sub-regional geo-economy are the production sites reacting to national and global production networks. Border areas are cost-minimizing, re-regulated, and flexibly organized industrial areas expanding through the agencies of state and private-sector-supported SEZs and industrial areas. In general they are reactions to rising labor and factor costs, cumbersome bureaucracy, industrial disputes and other dynamics in urban and peri-urban areas. One consequence is the development of light manufacturing production networks is increasingly dependent on the ability to mobilize, marshal and control large labor flows of young, primarily female, workers from Burma and rural Cambodia.
In this context the state is deepening its reach through different institutions and governance practices by enabling the informalization of labor. These processes are unevenly established in different national and sub-national contexts. In Thailand a distinct regime of policing and ‘partial border citizenship’ has emerged (Pitch 2007). It is a project in which migrant workers are racialized and their civic rights are peripheralized. This means, in short, that the state, particularly the police, national security agencies, and border guards work together to regulate nearly every aspect of migrant workers’ lives to create and sustain the conditions for a regime of flexible and informalized labor that enables labor intensive industries to survive in the region. Indeed, precisely because the dependence of the regional economy on migrant labor is so large, the mechanisms of control and the deployment of state apparatuses are ‘necessarily’ extensive.

Cambodia’s labor regime was defined in the early 2000s by the state’s withdrawal from, or initially its structural inability to regulate labor. Cambodia witnessed the promotion and proliferation of trade unions under the Better Factories Cambodia program that is defined by an International Labour Organization (ILO) regulated tri-partite model in the garment industry. Through the state’s withdrawal and the ILO’s insertion and subsequent quantitative boom of trade unions, the Cambodian People’s Party (CPP) has come to dominate a majority these trade union federations in the garment industry. Thus, the CPP has extended its reach in the factories through the project. Its initial withdrawal facilitated the subsequent insertion. This is significant since garment workers are the single largest organized population in the country. Furthermore, with the recent implementation of fixed duration contracts (FDC) the Cambodian state is further deepening its reach in the labor regime. The state is expanding even further into SEZs
where the state and private sector work together to create a new spatial regulation of labor in which FDCs are the norm and trade union activity is (currently) restricted. The shift to FDCs, casualization, precarity and spatial administration of labor follows trends throughout Asia (Chang 2009), but is important from a policy perspective given the global prominence and ‘branding’ of the ILO’s efforts to create a model of ‘fair globalization’ in Cambodia. In summary, the implementation of FDCs in Cambodia and policing at the Thai-Burma border are a part of practices in the GMS which moves to reinforce and expand the state as a strong and autonomous subject that dominates certain social fields, in this case labor regimes (Hardt and Negri 1994).

China’s state reformulation of its labor regime and industrial policy in coastal regions has sent a ripple effect through Asia’s division of labor. Namely, China has embarked on a triple policy to weaken its dependence on the ‘China price,’ or low-wage, low-skill, low-value added industrialization, through the ‘go-west, go-out, go-up’ policy. A result is another phase of global industrial restructuring that entails the creation of new forms of regional production networks organized around decentralized and border economies aimed largely at export markets. Inland provinces of China including Jiangxi, and localities such as Mae Sot and Bavet are being integrated into regionally extended production logics.

Mae Sot and Bavet are two cases that show very different degrees of embeddedness in global production networks. Mae Sot offers producers in Thailand an opportunity to maintain garment assembly in (at least partial) full-package production networks within the country, due to more established sourcing networks. In the case of Cambodia maintaining investment in light manufacturing is more tenuous. One
manufacturer’s operation in Bavet, Kingmaker, is a satellite of its production base in Vietnam. It is a production strategy based almost entirely on tariffs from the EU market. This demonstrates not only an unstable foothold in globalized production in Cambodia, but also the far reaching impact of EU and US trade policy. States react differently to sub-regional development initiatives as a result of varying degrees of embeddedness in global production networks.

Recognizing the mobility of manufacturing capital in Asia, there is another layered ‘necessity’ in the GMS geo-economy, to address poor physical infrastructure and cumbersome trade facilitation policies. Economic corridors and SEZs are ostensibly designed to ‘capture’ producers who deem Thailand and Cambodia production sites as largely auxiliary to China’s factories. In this realm the ADB’s GMS Project has been most prominent, particularly in Cambodia.

In 1998 the ADB began a massive physical infrastructure development project in the GMS. States have, of course, been involved and consented, but in this realm the ADB has been most prominent. In the case of Cambodia these engagements emerged in response to the ‘failures’ of central state authorities to implement infrastructure and trade facilitation programs, with the ADB stepping in to create a framework and the new opportunity structures that transnational manufacturers exploit. In general terms, it is a withdrawal of the state (particularly in Cambodia, Laos and Vietnam) and insertion of a multilateral institution to ‘connect’ the subregion and in the process facilitate state control of ‘vague’ areas. The effects are perhaps most pronounced in border areas that were once controlled by armed insurgents, while in other or the same areas borderlands are critical aspects of states discursive legitimacy in ‘defending’ territorial integrity. At its core, the
ADB project does not seek to displace states or instigate a retreat or withdrawal of the state. In particular, initiatives including the Cross Border Transit Agreement, Border Node Development and other specific programs under or closely related to the ADB framework carves out a role for states to act as facilitators for deeper engagement with the sub-regional, Asia regional and global economy. Hence, direct state involvement is critical to activate the long term, fixed capital investments in infrastructure. In summary, with competition intensifying in low-cost labor intensive export-oriented sectors, GMS countries have, at least partially, initiated cooperative regional and trans-national policies that aim to more fully integrating rural and border spaces into export-led development strategies.

Through border SEZs and economic corridors I have presented cases of flexible states restructuring and adapting to regional and global forces in which ADB projects, new governmental actors, and emergent discourses are articulated with broader regional and trans-national development strategies. The ADB’s Economic Corridors are a new spatial practice that is a manifestation of the GMS Project’s central discourse of the “Three Cs:” connectivity, competitiveness and community. In this process, state and multi-lateral organization policies play an enormous role in shaping the geographical patterns of investment and social regulation, albeit unevenly in different contexts.

In Cambodia’s SEZs the state is often acting in a private capacity and the private sector in a state capacity, and both are more deeply engaging the industrial economy. The state in Cambodia moves in two different but layered directions with border SEZs. It follows the ADB discourse that economic cooperation is necessary for sustained development. For instance, the state facilitates economic connections with more
diversified neighboring economies and the Asia-regional division of labor by fostering the growth of privately developed SEZs. At the same time an underlying state ambition is to reaffirm Cambodia’s territorial integrity at the physical border, and border SEZs provide one important means to do so. Through this a highly flexible state is both withdrawing to allow privately developed SEZs to emerge, and in the process deepening state control of its troubled borderlands. The implications of this are many. It suggests that in the short run at least, the transformative potential of border development projects is limited: outcomes reflect rather than reshape national and regional orders of power (Hughes 2011). In Cambodia this is an authoritarian and often violent order of power. In Thailand it is a very entrenched order of power that not only dominates the lives of Burmese in the Mae Sot area, but has been critical components of the Thai royalist-bureaucratic-military elite who have held power over Thailand for many decades. In short, the interests of national security state capital often hold sway over demands for more liberal border economic policies.

Border SEZ processes in Mae Sot are similar to those in Cambodia, but play out differently in important ways. In Mae Sot contestations largely center on the deeply embedded state regulation along the border. In the case of Cambodia the state is in seemingly initial phases of (re)asserting its interests and control at the Vietnam border. That being the case, Mae Sot demonstrates much about the territorial diversity and flexibility of state practices in the sub-region, and how the state facilitates certain links with regional and global trade and production networks, while preventing others.

In Mae Sot the coupled contestation over re-production and policing of ‘traditional’ boundaries shows a clear connection between borders and state power.
(Gainsborough 2009). As a result, the interests of transnational corporations and international lending agencies melts into the background in my analysis, as their ‘demands’ are not readily met by an eviscerated state, or a state that chooses to withdraw from a particular space. Instead, Mae Sot demonstrates that the politics of scale plays out in important ways, particularly contestations over domination of populations of migrant workers from Burma. Policing of migrants has allowed manufacturers to survive in the Mae Sot area, but this arrangement has become an impediment to longer term growth strategies for the Mae Sot-Myawaddy zone. The SEZ initiative in Mae Sot attempts to displace direct police control of populations with a ‘new’ labor regime that is more flexible and allows for a more widespread ‘legalization’ of the migrant workers in the area. Thus, employers and certain state officials at the local, provincial and national scales are challenging the current national security state arrangement at the border. In particular, liberal socio-economic actors in Mae Sot and Bangkok are attempting to implement a changing discursive and spatial practice of the borders—from practices dominated by national security and policing, toward borderlands as new geo-economic opportunities that require new forms of administering territory and populations. Deep tensions and contestations have emerged among competing visions of national-cross border governance and development, between the ‘traditional’ or ‘old’ social integument, and liberal socio-economic ambitions for the border area. Ambitions to re-territorialize the borderlands clearly gel with the ADB’s vision of a ‘borderless’ GMS. Yet the army-police-bureaucracy is maintaining its dominance of the borderlands and holding sway over calls for deeper integration with the political dynamics, economic systems and
natural resources of neighboring Burma. The depth of conflicts demonstrates that much is at stake in these peripheral centers of globalized growth.
APPENDIX 1

List of Interviews

December 2008 to November 2009

Regional/ International Organizations
Cambodia
Better Factories Cambodia, International Labour Organization (ILO)
ILO Worker Education Project in Cambodia
ILO Better Work Programme
Peter Brimble, Consultant with the United Nations Development Project and USAID

Thailand
ACE-ASEAN Competitiveness Enhancement Project, Nathan Associates Inc.
(ADVANCE project)
Asian Development Bank (2 persons, 2 meetings)
Noritada Morita (Retired ADB official)
United Nations Economic and Social Commission for Asia and Pacific

State
Cambodia
Cambodia Special Economic Zone Board
Council for the Development of Cambodia
Japan International Cooperation Agency
US Embassy officials

Thailand
Ayeyawady - Chao Phraya - Mekong Economic Cooperation Strategy (ACMECS) Business Council
AMEICC (AEM-METI Economic and Industrial Cooperation Committee)
Board of Trade of Thailand
Economic Promotion with Neighbouring Countries Committee (Thailand)
Industrial Estate Authority of Thailand
Japan International Cooperation Agency
Japan External Trade Organization
National Economic and Social Development Board of Thailand
New Mon State Party
Office of Industrial Economics-Thailand
Thailand Development Resource Institute
Thailand Textile Institute

Private Sector
Cambodia
Cambodia Chamber of Commerce
Linex Company and the Cambodia Freight Forwarders Association
Manhattan Group in Phnom Penh
Manhattan SEZ officials in Bavet

Thailand
Federation of Thai Industries, Tak Chapter
Itochu Corporation (2 persons, 2 meetings)
Loxley Corporation
Schenker (Thai) Co Ltd.
Thai Chamber of Commerce-Tak Chapter (2 persons, 2 meetings)

Civil Society Organizations, Academe, Journalists and Individuals
Cambodia
Cambodia Federation of Independent Trade Unions
Cambodia Institute of Development Study
Cambodian Human Rights and Development Association-ADHOC
Coalition of Cambodian Apparel Workers Democratic Union (CCAWDU)
Factory workers in Bavet from the Kingmaker Company
Independent Democracy of Informal Economy Association
Sabrina Trade Union
Womyn’s Agenda for Change (WAC)
Worker Rights Consortium

Thailand
Agriculture workers (Mae Sot, Burmese migrants)
Anurak Panyanuwat, Chiang Mai University
Burma Labour Solidarity Organisation
Daisy Dwe
Factory workers (Mae Sot, Burmese migrants)
Forum for Democracy in Burma
Institute of Security and International -Chulalongkorn University (Robert Fitts)
Karen Human Rights Group
Lae Dilokvidhayarat, Chulalongkorn University
Larry Jagan, Freelance reporter
Map Foundation for the Health and Knowledge of Ethnic Labour
Mon Human Rights Foundation
Pattanarak Foundation
Pastor Baw Gyee
Rohigya Labor Union
Thai Labour Campaign
Thein Swe, Payap University (a retired ADB official)
Voravidh Charoenloet, Chiang Mai University
Voravit Suwanvanichkij
Wat Wang Kawiweilcaram School (Sangkhlaburi)
Yaung Chi Oo Workers Association
Conferences and Trainings
While conducting fieldwork I participated in the following three events:
Presenter in a 3 day worker training organized WAC and CCAWDU in cooperation with the Asian TNC Monitoring Network, Phnom Penh, Cambodia, March 12-14.
“Global Garments, Migrant Labor and Bordering the Greater Mekong Sub-region,” paper presented at the international workshop, Gender, Migrant Workers and Citizenship in Greater Mekong Subregion: Economic and Political Perspectives for a World in Crisis, Asian Institute of Technology and University of Leeds, AIT Conference Centre, Ransit, Thailand, 1-3 June 2009.
Conducted half day worker education program for the Rohigya Labour Union, Sangkhlaburi, Thailand, July 25.
REFERENCES


