Thailand and Cambodia after 1991: Cambodia as a new interest for Thailand

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Abstract

Since the end of the Cold War in the mid 1980s, Cambodia’s importance for Thailand has greatly increased. The range of Thai stakeholders in Thai-Cambodian relations has expanded. The national security sector, which used to dominate the relationship, has been reduced to a minor role, concentrating on narrow issues of border security. The state in general has adopted a collaborative role, focusing on securing and regulating supplies of immigrant labor. The private sector has taken the lead in developing contrast farming with state support. Thailand’s two largest corporate groups, PTT and SCG, have launched ventures in Cambodia as key projects in their international expansion.

Introduction

Thai-Cambodian relations in the period since World War Two were significantly influenced by the international political situation. Thailand assumed a prominent role in the conflict that followed from Vietnam’s invasion of Cambodia in 1979. The winding down of the Cold War at the end of the 1980s, followed by the Paris Peace Accord in 1991, had the important effect of changing the Thai ruling elite’s attitudes towards Cambodia. This former communist state was now perceived as a neighbor that could exist peacefully with Thailand.

The end of the Cold War occurred at a time when Thailand was trying to position itself as a financial center of Southeast Asia and a gateway to Indochina. Initiated by the government of General Chatichai Choonhavan (August 1988–February 1991), this policy line was enthusiastically continued by several subsequent governments. Together with Laos, Myanmar, and Vietnam,

Cambodia became a trading partner with high potential and had a strong promise of fulfilling Thailand’s dreams.

Since then, the neighboring countries in Indochina and Myanmar have become major investment locations for Thailand and many other countries. In 1997, Thailand ranked third among countries investing in Myanmar, after Britain and Singapore. Thailand had the highest investment interests in Laos in the period 1987–2002 with 272 approved projects worth a total value of US$ 2.65 billion. The main sectors included hydropower, transportation, telecommunication, and the hotel and tourism industry.

Thai-Cambodian relations, that were once plagued by conflict and antagonism, came to be characterized by good neighborliness. Thailand has maintained an aid program for Cambodia, initiated during the Anand Panyarachun government (1991–2), and covering both technical and general assistance, with the aim of building mutual understanding and confidence, as well as supporting Thailand’s strategy to expand its export markets.

This change amply demonstrates the new dimensions of Thai-Cambodian relations. The relationship is now multi-dimensional in character. Apart from government-to-government relations, people-to-people contacts have assumed growing importance. In this multidimensional relationship, there are many groups of stakeholders who hold different views and attitudes on Cambodia.

However, before addressing these questions, it is necessary to describe Thai-Cambodian relations during this crucial transition. In particular, we need to know the important events and developments that have changed the relationship from enmity to amity.

From enmity to amity

Thailand had an important role in the conflict in Cambodia throughout most of the period after World War Two. A crucial turning point in Thailand’s role came when Vietnam intervened in Cambodia in January 1979. This event transformed the relationship between Thailand and Democratic Kampuchea (the Khmer Rouge regime) from one of enmity to that of collaboration.
to oppose Vietnam. Though Thailand frequently reiterated its neutrality, it was heavily involved in the conflict in Cambodia from the beginning. Its role was diplomatically and militarily important. It was militarily involved with both the Pol Pot armed resistance group and two other armed Khmer factions led by Prince Sihanouk and Son Sann.

Once the conflict had been brought to the attention of ASEAN and the United Nations, it was no longer a bilateral affair—either between Vietnam and Cambodia or between Thailand and Vietnam. Within ASEAN, Thai policies towards the conflict were generally accepted as the grouping’s common policy lines and not just those of an individual member country.

Thailand’s relations with China developed greatly during this period. Since the very beginning of the conflict in Cambodia, Sino-Thai cooperation over this problem was crucial for the existence of the Pol Pot group. Following the formation of the Sihanouk-led alliance between this group and two other non-communist forces, China became its principal supporter, whereas Thailand served as a bridge bringing arms and other military supplies to the three resistance groups operating in the Thai-Cambodian border areas. Thai authorities regarded China as a major strategic factor opposing Vietnamese and Soviet influence in Southeast Asia.

Through their collective efforts, Thailand, ASEAN, China, and the United States succeeded in mobilizing international support for the Pol Pot government to retain its seat in the United Nations until 1992. This non-recognition of the Heng Samrin government was aimed at reducing its legitimacy in both Cambodia and in the international community. Undermining it in this way was expected to have an adverse impact on Vietnam’s military campaign in Cambodia.²

However, the conflict in Cambodia wound down with the change in the regional and global situation. In the regional context, the reconciliation of differences between Thailand and Vietnam contributed to Vietnam’s decision to withdraw its troops from Cambodia in September 1989 and to Hun Sen’s acceptance of Thailand’s proposal for a ceasefire. The Chatichai Choonhavan government’s diplomatic policy significantly paved the way for the emergence of a peace process that gradually led to the UN-
supervised general elections in Cambodia in 1993.  

With this ongoing peace process, the conflict in Cambodia was no longer a major problem for the region. As the most important regional grouping, ASEAN thus began debating its role in the post-Cambodian conflict period. At the same time, new ideas and initiatives emerged among ASEAN member countries, leading to the realization that the original ASEAN set-up was not an adequate instrument for integration of the Indochinese states that were transforming themselves into market-led economies.

Some ASEAN leaders, especially those of Indonesia and Malaysia, believed that the Indochinese countries should be integrated into a region-wide Southeast Asian framework for cooperation to counterbalance Chinese influence. Countries like Thailand and Singapore, however, saw the Indochinese countries more in terms of their commercial potential. Thailand and Singapore hoped to strengthen the trade and economic ties that had already been developed.

The attitude of the Thai became clearer with the collapse of the Soviet Union that resulted in the end of the Cold War. This important development had a profound effect on the attitude of the Thai elite towards conflict in Cambodia. In the late 1980s, officials of the Thai Ministry of Foreign Affairs began to realize that economic cooperation was the best strategy as it would both alleviate the conflict and contribute to Thailand’s growth.

The elected Chatichai government (August 1988 to February 1991) began efforts to terminate the monopoly on foreign policymaking by the Ministry of Foreign Affairs. Trade was proposed as a new diplomatic means of enhancing mutual confidence and building stronger relations between Thailand and its neighbors.

Political and economic relations between Thailand and Cambodia vastly improved after 1991. Normalization of diplomatic relations between the two countries was initiated by the government of Anand Panyarachun. The Ministry of Foreign Affairs, which had once rejected Chatichai’s proposal for reconciliation with Cambodia, was now actively involved in the promotion of political, economic, and cultural ties.

Thailand really wanted to see peace and stability in the region so that Cambodia would be in a position to maintain its autonomy.
and freedom from external interference. In addition, an increase in commercial prosperity and foreign direct investment would deter the Cambodian people from fleeing their country to find job opportunities and residence in Thailand. This policy goal reflected Thai understanding of Cambodian history as a saga of conflict and struggle among various groups that often sought outside assistance. Thailand often had to shoulder the burden of sheltering Cambodians who had fled into Thai territory. Moreover, the policy goal was also based on a conviction that trade, investment, and aid would be effective tools for cultivating trust and a positive attitude in Thailand’s long-standing adversaries, including Laos and Vietnam.

With this understanding of the development of Thai-Cambodian relations during this transition from enmity to amity, we are now in a position to explore the attitudes of Thai stakeholders to this relationship. The stakeholders include the national security authorities, the public sector, and the private sector. Since 1991 the attitudes of these stakeholders to Thai-Cambodian relations have profoundly changed.

The national security sector

From December 1978 to September 1989, the decade of Vietnam’s invasion and occupation of Cambodia, the Thai elite’s policy thinking was so preoccupied with the problem of Cambodia and Vietnam that all other issues in Thailand’s foreign relations were eclipsed. The aggressive behavior of Vietnam convinced the Thai elite that Vietnam was a threat, based on both historical experiences and geo-strategic factors. Apart from ideological differences, the Thai response to the Vietnamese invasion was particularly strong because it happened just after there had appeared a flicker of hope that Thailand would be able to co-exist peacefully with Vietnam. Following the departure of the US security guarantee, and the fall of Laos to communist rule, this new loss of Cambodia as a territorial buffer zone was very strongly felt in Thailand.

However, with the end of the Cambodian conflict and the removal of Vietnam’s domination of the country, Cambodia
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drastically declined in importance in the national security thinking of the Thai elite. From 1989 to the present, the Thai national security elite has never attached much importance to political change in Cambodia, even when this involved violence resulting from internal political conflict.

When second prime minister Hun Sen staged a coup in late June 1997, toppling first prime minister Prince Ranaridh, and leading to postponement of Cambodia's admission to ASEAN scheduled for that year,¹³ the Thai elite never called that violent change a "coup" which would have indicated that this internal political change had important implications for Thailand.

General Chavalit Yongchaiyuth, the Thai prime minister at that time, simply said of this event: "...the government had prepared for the evacuation of Thai people from Cambodia in order to avoid impacts from the fighting.... We are now keeping a close watch on the situation, but we will not intervene in this country."¹⁵ At the same time, a member of the national security elite, army commander-in-chief General Chettha Thanajaro, offered a similar view: "...the event in Cambodia is unlikely to have any security impact on the Thai border area because it is Cambodia's internal affair. Our neighborly relations remain the same; no matter who comes to power, Thailand would be a good friend with no reservation whatsoever."¹⁶

The interviews given by the Thai prime minister and the army chief imply that the bloodshed, the political conflict, and the use of force in Cambodia, no matter how violent these were, would not have any effect on Thailand. In other words, Cambodia now had very little importance in the thinking of the Thai national security elite.

The role of the border security forces also changed. In the past, the border security forces had important tasks in the Thai-Cambodian border areas. In 1965, the first volunteer ranger unit was set up to fight communist insurgents in these areas. When the Cambodian conflict became more violent following Vietnam's intervention in 1979, this volunteer ranger unit was transformed into a Cambodian-Thai Border Area Special Ranger Operations Unit, or Chor Khor 513 in short. This force was directly commanded by the Army Operations Center in Bangkok. Other
Ranger Naval Operations Units were also created to operate in coastal and territorial water areas in Chanthaburi and Trat provinces. These units have since all been dissolved. Also in the past, after Vietnam's intervention in Cambodia, the Second Army Region had a strong Burapha (Eastern) Force led by young and capable military officers. This important force was also disbanded. The Second Army Region is still in existence and commands all forces in northeastern Thailand. It has under its control the Third Infantry Division that has only general tasks of territorial defense against external military threats in the upper northeastern region.

The Cambodian conflict that had dominated Thailand's national security policy in the past was over. The present policy has been reduced to the much narrower scope of a "border security strategy." Even this might seem larger than its real task, because the Thai-Cambodian borders have drastically declined in importance, particularly in comparison with the far more complicated security problems along the Thailand-Myanmar border.

The national security sector maintains six national level committees on Thai-Cambodian relations. Of these, three are border committees, namely:

- General Border Committee (GBC) under the joint chairmanship of the defense ministers of the two countries;
- Border Peace-Keeping Committee (BPKC) under the joint chairmanship of the supreme commanders of the armed forces of the two countries;
- Regional Border Committee (RBC) under the joint chairmanship of the commanders of the army regions of the two countries.

These border security committees are mostly responsible for routine work on border issues. In case of a crisis, like the sacking and burning of the Thai embassy in Phnom Penh on 29 January 2003, all important decisions are made by the central high-ranking authorities. The border security units have virtually no important role.

The National Security Council has defined the border security strategy as being truly restricted to the border areas. The reason for this policy change were given as follows:
At present all the neighboring countries have joined ASEAN. Fighting in the neighboring countries has almost totally ended; only residual fighting in the form of occasional armed clashes remains at some points in the Burmese border areas.\textsuperscript{20}

In the National Security Council's view, Cambodia now poses no particular security threat. The Cambodian government has attached specific importance to national development and democratization. It is searching for a national development path that is most suited to the way of life of Cambodian people.\textsuperscript{21} The border problems that still exist are those generally found in the areas bordering other neighboring countries, namely illegal immigration, drug trafficking, the existence of casino resorts in border areas, and transnational organized crimes. In comparison with those on the Thailand-Myanmar side, the problems on the Thai-Cambodian borders are far less serious in the eyes of Thai security agencies.

Myanmar has increased in regional importance. Political changes, which involve conflict within the military junta as well as conflict between the military regime and various ethnic groups, have potentially destabilizing consequences for Myanmar and Southeast Asia as a whole. In particular, political instability in Myanmar may instigate rivalry and conflict between India and China,\textsuperscript{22} which would have adverse implications for Thailand and the whole region.

The National Security Council is more seriously concerned about Thailand-Myanmar border security. The military government of Myanmar is strongly determined to establish internal security by accelerating negotiations with, and suppression of, the ethnic groups along the Thailand-Myanmar border. The Myanmar government has also relied on the cooperation of certain ethnic minorities in suppressing the ethnic groups that are staging armed resistance to the regime.\textsuperscript{23} In the northern and western areas of Thailand that border Myanmar there are many ethnic groups that are culturally different from the Thai in general. In some areas there are groups of people without any clear legal status or without land to make a living. Border zones offer opportunities for illegal activities such as human trafficking (especially illegal migrant workers), drug trafficking, trafficking in arms, and transnational crimes. All these problems are growing in intensity and complexity,
and are therefore having far more serious consequences for Thailand than in other border areas, including the Thai-Cambodian border zone.

In the eyes of the Thai government and policy-making elite, the "problem" area has thus been significantly narrowed down to the border zones with Myanmar, Laos, Cambodia, and Malaysia. The security problem as defined in the national security strategy does not involve armed confrontation, warfare, or ideological conflict but covers those non-traditional security issues that are now present in almost all border lands in the world. However, in the eyes of the policy-making elite, the non-traditional security problems on the Thai-Cambodian border are far more manageable than those in other border areas. This is because, in the National Security Council's view, the Cambodian government is firmly proceeding in the direction of democratization and amelioration of the living conditions of the Cambodian people rather than being antagonistic or posing any military threat to Thailand, as was the case two decades ago.

Now that the national security sector, that used to dominate Thai national policy-making for a long time, has changed its attitude to Cambodia, regarding it no longer as a military threat, the role of the Thai state as a whole towards Cambodia has changed—from antagonistic, confrontational, and unfriendly to accommodative and cooperative.

Collaborative state

With the retreat of security concerns, Cambodia now functions for Thailand as a trading market, a resource base, a source of labor, and an investment opportunity. To service this new situation, the Thai state has thus been transformed into a "collaborative state."

This change was initiated by the Chatichai government, and enthusiastically continued by its successors. In 1991, the Anand Panyarachun government recognized the importance of financial and technical assistance as a strategy towards neighboring countries. Particularly when Thailand was experiencing economic prosperity, the Thai government believed that Thailand could be an aid donor for neighboring countries with lower levels of economic
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development. Thaksin Shinawatra told the world community in 2003 that Thailand was changing from a “recipient country” to an “emerging aid donor.” Aid to neighboring countries would be directed mainly to the development of their infrastructure. Moreover, since these countries were not yet fully creditworthy, the Thai government would assist in negotiating with major funding sources such as the Asian Development Bank, JBIC, and JICA. The Thai government has also sought fund-raising efforts and cooperation from development partners by inviting representatives of Australia, France, Japan, and New Zealand to participate in the meetings of ACMECS since 2004.

The Thailand International Development Agency has assumed an important role in promoting official cooperation among the developing countries in Southeast Asia and beyond. A Thai International Cooperation Program (TICP) was set up to serve as a mechanism for technical cooperation between Thailand and neighboring countries. Cooperation between Thailand and Cambodia, in particular, consists of four programs.

1. **Bilateral Program.** Thailand provides direct assistance to its development partners through the Bilateral Program. Projects are designed after close consultation between Thailand and its respective partners to ensure activities will benefit both parties. Activities organized under the program include development and training projects, the secondment of Thai experts, and the provision of equipment.

2. **Thai International Postgraduate Program (TIPP).** This program was formulated in 1999 and began in 2000, funded entirely by the Royal Thai Government. It aims to enhance educational standards while providing opportunities for cross-cultural exchanges and improved international relationships. The program offers a range of long-term postgraduate degree courses to applicants from a range of developing countries.

3. **Annual International Training Courses Program (AITC).** This program aims to transfer knowledge and skills to participants from developing countries through a variety of specialized training courses. This program also aims to promote international goodwill by fostering mutual understanding among participants during their stay in Thailand.

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4. Trilateral and Regional Cooperation Program. This program is funded by Thailand in cooperation with other countries or international organizations such as Japan, Canada, UNDP, and UNFPA. The program, which emphasizes human resource development, provides opportunities for participants from other developing countries to join in group training courses, study programs, and subregional cooperation programs.

Of all the aid given to the countries in the Greater Mekong Subregion under TICP, bilateral assistance has had the highest value. Aid in this category amounted to 63,754,000 baht in 2003; 43,503,000 baht in 2004; and 43,529,000 baht in 2005. The Thai government has provided Laos and Cambodia with the highest amounts of aid of this type, mostly in the form of scholarships for international postgraduate studies. Cambodia has benefited from this and other types of support including those under the Annual International Training Courses and Trilateral and Regional Cooperation Program. The country has been consistently provided with aid under all these assistance programs (see Table 1).

Table 1GMS beneficiaries under the Thailand International Cooperation Program (unit: baht)

<table>
<thead>
<tr>
<th>Year</th>
<th>Bilateral</th>
<th>TIPP</th>
<th>AITC</th>
<th>Trilateral</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>Cambodia</td>
<td>Cambodia</td>
<td>Laos</td>
<td>Cambodia</td>
<td>Cambodia</td>
</tr>
<tr>
<td></td>
<td>63,784,000</td>
<td>3,530,000</td>
<td>1,376,000</td>
<td>1,071,000</td>
<td>69,614,000</td>
</tr>
<tr>
<td>2004</td>
<td>Laos</td>
<td>Cambodia</td>
<td>Cambodia</td>
<td>Cambodia</td>
<td>Laos</td>
</tr>
<tr>
<td></td>
<td>43,503,000</td>
<td>2,758,000</td>
<td>2,842,000</td>
<td>870,000</td>
<td>47,869,000</td>
</tr>
<tr>
<td>2005</td>
<td>Laos</td>
<td>Myanmar</td>
<td>Cambodia</td>
<td>Vietnam</td>
<td>Laos</td>
</tr>
<tr>
<td></td>
<td>43,529,000</td>
<td>2,754,000</td>
<td>2,798,000</td>
<td>1,988,000</td>
<td>48,247,000</td>
</tr>
</tbody>
</table>


Cambodia was the first GMS country to benefit from Thai support for postgraduate international studies. In addition, it has been given funding for training and human resource development. All these aid programs have contributed to the elevation of education and enhancement of skills for the people in Cambodia and to better understanding between Thailand, Cambodia, and other GMS countries.
Cambodia and Thailand's economic requirements

Stakeholders in the private sector have moved far beyond the state sector in their approach to Cambodia. They view Cambodia as a source of labor, raw materials, and locations for various types of investment. The Thai private sector truly hopes to transform Cambodia into the marketplace of Chatichai's dreams.

The Thai private sector's labor requirements

Thailand now lacks unskilled labor in the fisheries, construction, mining, and farming sectors (see Table 2). Thai workers are no longer willing to be employed in work that is "3D"—difficult, dangerous, and dirty. Thai entrepreneurs thus require labor from other sources, especially from the neighboring countries of Myanmar, Laos, and Cambodia.

Table 2 Labor shortages in fifty provinces of Thailand, 2000 and 2003–5

<table>
<thead>
<tr>
<th></th>
<th>2000 Number of workers required</th>
<th>2003–5 Alien workers required</th>
<th>2003–5 Thai labor seeking jobs</th>
<th>Thai labor minus alien labor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Farming</td>
<td>69,981</td>
<td>352,675</td>
<td>583,092</td>
<td>230,417</td>
</tr>
<tr>
<td>Orchards and plantations</td>
<td>39,590</td>
<td>114,647</td>
<td>404,554</td>
<td>289,907</td>
</tr>
<tr>
<td>Fisheries</td>
<td>27,168</td>
<td>206,189</td>
<td>95,533</td>
<td>110,656</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>21,272</td>
<td>318,539</td>
<td>156,494</td>
<td>162,045</td>
</tr>
<tr>
<td>Seafood</td>
<td>17,445</td>
<td>315,115</td>
<td>112,530</td>
<td>202,585</td>
</tr>
<tr>
<td>Processing</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction</td>
<td>11,384</td>
<td>90,533</td>
<td>194,525</td>
<td>103,992</td>
</tr>
<tr>
<td>Total</td>
<td>107,235</td>
<td>788,215</td>
<td>980,090</td>
<td>191,875</td>
</tr>
</tbody>
</table>

Note: The total figures include those of the mining and transportation sectors. Source: Research Centre on Asian Migration, Chulalongkorn University, cited by Philip Martin, Approaches to the Improvement of Migrant Worker Management (2003), p. 96.

These labor shortages have resulted from Thailand's economic growth at rates surpassing those of the neighboring countries. Thailand's GDP is 17 to 63 times greater than those of its neighbors, its per capita GDP is 6 to 13 times greater, and its wage
rates are 5 to 7 times higher. These are important factors pulling migrant workers from neighboring countries. The total number of alien workers recorded by the Department of Labor's Employment Services as of 31 December 2006 was 724,995. Of these 78.5 percent came from Myanmar, 11.7 from Laos, and 9.8 percent (71,923) from Cambodia.

Even though the number of Cambodian workers is smaller than those from Laos and Myanmar, their importance is not accordingly negligible. When Cambodian workers were forcibly repatriated in response to the sacking and burning of the Thai embassy on 29 January 2003, the Thai fisheries industry suffered a severe shortage of labor. The National Fisheries Association of Thailand petitioned the government to halt arrests of illegal alien workers until September or until the government had come up with a clear alien worker policy and management scheme. Faced with such internal pressures, the Thai government later had to lift the ban on registration of Cambodian workers. This is proof that Cambodian labor is indispensable for the Thai economy.

Employment of Cambodian workers is thus not just optional but rather a necessary solution to Thai entrepreneurs' problems of labor shortage. In such a situation, the state can no longer deny the importance of the alien workforce to the Thai economy, but has to manage and regulate the supply to meet the private sector's needs.

Nara Rattanaruji, a labor expert at the Ministry of Labor, said in interview:

The migration of workers is experienced by all countries in the world. We see it as an issue to be managed rather than a problem.... We must first of all admit that it is an economic issue. That is, employers need alien labor, but their reliance on alien labor must not have any adverse impact on society. Secondly, the employment of alien labor must be under state control. Finally, the employers must also be under proper control; that is, they must submit a quota of alien workers to the Ministry of Labor, which then endorses the employment of these workers.

The government has generally heeded the views and suggestions of the private sector. It allowed migrant workers from three countries (Myanmar, Laos, and Cambodia) to register for three
consecutive years. In 2001, the government permitted registration of an unlimited number of alien workers in all occupational categories and in all areas. This policy amounted to a liberalization of alien worker employment in Thailand, even though the main purpose was to persuade illegal workers to come into the open and be legally employed. Even though hundreds of thousands of alien workers applied for registration, many illegal workers remain, as Nara stated:

The number of workers registered in February last year [2006] is 208,000. Adding to this the 460,000 workers whose registration will expire in June [2007], together with those 50,000 workers who have been legally imported, we have approximately 721,000 legal workers in Thailand. We have estimated that there are about 500,000 illegal workers. Hence, the total number of alien workers amounts to more than 1.2 million. Most of these workers are destined for a long or permanent stay. This figure does not include those 500,000–600,000 migrant workers who cross the Thai borders to obtain employment on a seasonal basis. For instance, in Sa Kaeo Province, about 20,000 workers cross the border into Thai territory every morning, but we do not know if all of them go back to their homeland. Likewise, in Ranong and Mae Sai, as well as through the Friendship Bridge linking Mukdahan and Savannakhet, we witness a daily influx of alien workers. Altogether the number of alien workers in Thailand amounts to almost two million.

As the attempt to register all alien workers from the three neighboring countries failed, the Thai government sought other solutions through cooperation with its neighbors. On 31 May 2003, Thailand signed a memorandum of understanding on employment of alien workers with Cambodia with the aim of more efficiently managing the flow of illegal migrant workers from Cambodia as well as suppressing human trafficking. Such measures were necessary given the high demand of Thai entrepreneurs for alien workers (see Table 3).

In the end, the state sector has had to recognize the reality of the needs of the Thai private sector. International cooperation on migrant workers thus has come into effect. Such cooperation is preventive in nature, being aimed at solving the country’s problem at its root. The cooperative framework covers measures for proper
and legal employment of workers, their repatriation, their protection, the prevention and suppression of illegal immigration, as well as suppression of illegal labor trafficking, especially of child and female labor. The strategy for legal import of alien workers was adopted by the Thaksin Shinawatra government which came to power in 2001. The policy was at that time called “forward engagement,” meaning proactive diplomacy on the economic front to restore and expand Thailand’s foreign relations, especially promoting all aspects of international cooperation at both bilateral and multilateral levels, with a view to enhancing mutual understanding for the solution of common problems and creative, sincere, and peaceful pursuit of common interests.38

<table>
<thead>
<tr>
<th>Sectors</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Unskilled labor</td>
<td>94,965</td>
<td>98,231</td>
<td>94,098</td>
</tr>
<tr>
<td>2. Labor for fisheries related sectors</td>
<td>124,426</td>
<td>124,591</td>
<td>125,506</td>
</tr>
<tr>
<td>3. Factory workers</td>
<td>125,126</td>
<td>125,834</td>
<td>133,266</td>
</tr>
<tr>
<td>4. Household servants</td>
<td>79,960</td>
<td>80,865</td>
<td>80,888</td>
</tr>
<tr>
<td>5. Farming labor</td>
<td>85,089</td>
<td>86,813</td>
<td>87,566</td>
</tr>
<tr>
<td>6. Animal farming labor</td>
<td>17,715</td>
<td>17,741</td>
<td>17,744</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>527,281</td>
<td>534,074</td>
<td>539,068</td>
</tr>
</tbody>
</table>


In accordance with this policy orientation, the Thaksin government undertook to solve the problem of illegal alien workers under the Ayeyawady–Chaophraya–Mekong Economic Cooperation Strategy (ACMECS) involving Cambodia, Laos, Myanmar, and Thailand. This strategy was an initiative by the Thaksin government to assist neighboring countries in creating jobs and incomes, as well as assisting their national development efforts, as a means of preventing and solving problems at their root. At the same time, the strategy was also aimed at expanding Thailand’s trade and investment opportunities in these countries.39 Hence, government-to-government labor cooperation between Thailand and Cambodia
came into being for the first time.

As a result of this collaborative effort, 183,541 Cambodian workers were registered, with 75,804 workers waiting for nationality identification and the granting of certificates of identity (CI). As of 1 April 2006, 32,254 of these workers had been nationally identified and granted CIs.40

Labor cooperation between Thailand and Cambodia marks a crucial milestone in the Thai effort to legally employ migrant workers, prevent the influx of illegal labor, and at the same time effectively deal with various transnational and trans-border issues. These issues have so far created many increasingly complicated problems for Thailand, including transnational terrorism, the prevalence of HIV/AIDS, as well as the expansion of transnational criminal organizations involved in human trafficking, prostitution, and drug trafficking. All these activities have been in one way or another related to illegal labor.

The Thai private sector’s investment in Cambodia

In addition to being a source of labor for the Thai private sector, Cambodia—a poverty-stricken country whose per capita income is only US$ 280 per annum—is also important to Thailand as a location for investment in contract farming, as well as an industrial base for two of Thailand’s leading industrial ventures, namely PTT and Siam Cement. This is indicative of the change in the attitude of the Thai private sector to Cambodia.

Contract farming

The Thai state and private sector have been interested in investment in the farming sector of neighboring countries for a long time. Thailand has given support for contract farming under the ACMECS framework. Ten agricultural products have been launched in Cambodia to profit from a zero tariff rate. These include potatoes, sweet corn, cashew nuts, animal-feed corn, soybeans, peanuts, castor beans, eucalyptus, Job’s tears, and smug beans.

Under this project the Thai government has supported the Thai private sector’s investment in agricultural production including
livestock farming in Cambodia in the form of contract farming. This system has directly benefited the Thai private sector, especially large agro-industrial ventures and animal feed production companies, because imports of the products are subject to a zero tariff. These agricultural products can be used as raw materials in the production of animal feed for livestock reared for domestic consumption, in the animal feed processing industry, as well as in processing of exports to third countries. In 2005, the value of agricultural imports from Cambodia amounted to 1.1 billion baht.

Twenty Thai entrepreneurs and three Cambodian entrepreneurs have participated in the scheme. The Cambodian side has offered farming areas covering more than 400,000 hectares (2.5 million rai) with more than 10,000 Cambodian farmers in networks prepared to satisfy the demands of Thai entrepreneurs. The Thai government approved a start-up budget of 16,438,000 baht to assist in the modernization of Cambodian agriculture in an area of 2,142 rai in four Cambodian provinces, Battambang, Bantey Meanchey, Siem Reap, and Oddor Meancheay. On the Thai side, Chanthaburi has been designated as a pilot area where contract farming products can be imported without certificates of origin. In 2007, the pilot area was extended to cover Sa Kaeo province.

In the future, the contract farming project will be of great benefit to the private sector, especially its agro-industrial ventures, in two respects. First, it serves as an additional source of raw materials that are in short supply for Thailand's large agro-industrial enterprises. The project will expand the production base of cash-crops in Cambodia to feed Thailand's agro-industrial and processing enterprises, thereby enhancing their competitiveness and productive potential. In the past, trade in agricultural products was mostly carried outside official channels to avoid normal customs procedures that entailed high costs. Under this scheme, agricultural products are subject to a zero tariff. In addition, with the abrogation of the need for certificates of origin, import procedures have been greatly facilitated, resulting in the reduction of cross-border smuggling.
### Table 4 Summary of benefits from the contract-farming project

<table>
<thead>
<tr>
<th>Benefits for Thailand</th>
<th>Common benefits</th>
<th>Benefits for Cambodia</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Effectively solving the problem of worker migration from Cambodia to Thailand</td>
<td>1. Reducing the number of illegal migrant workers and hence minimizing cross-border problems</td>
<td>1. Creating jobs and raising the income levels of Cambodian people</td>
</tr>
<tr>
<td>2. Providing additional sources of raw materials for Thailand through the creation and expansion of cash-crop production base in Cambodia to feed Thai processing industries</td>
<td>2. Reducing cross-border smuggling to avoid the costly customs procedures and time-consuming sampling checks on products (which result in product deterioration).</td>
<td>2. Raising the standards of agricultural imports from Cambodia with the help of the Thai Ministry of Agriculture and Cooperatives under various work plans to use technology to raise productivity and control the quality of products</td>
</tr>
<tr>
<td>3. Reducing production costs of Thai agro-industrial entrepreneurs that would result in enhancing their competitiveness and productive potential through reliance on comparative advantages in terms of both quality and costs.</td>
<td>3. Reducing the complicated customs procedures by waiving the requirement for a certificate of origin under the ASEAN Integration System of Preferences.</td>
<td></td>
</tr>
</tbody>
</table>


On the Cambodian side, the contract farming project has raised the quality of export products. Thailand’s Ministry of Agriculture and Cooperatives has given assistance to Cambodian farmers to improve the quality of agricultural production through recommendations on the use of technology, raising productivity, and using farm product quality control. Creating jobs and raising the income levels of Cambodian farmers will in turn result in fewer...
illegal migrant workers in Thailand and thereby minimize the social problems that arise from the presence of these workers in large numbers (see Table 4).

Siam Cement Group in Cambodia

The Siam Cement Group (SCG) is a large conglomerate established in 1913 that today engages in five core businesses of chemicals, paper, cement, building materials, and distribution. It has more than a hundred affiliated companies and employs approximately 24,000 people. Its net profits over the years 2003 to 2005 were 19,954 million baht, 36,483 million baht, and 32,235 million baht.45

SCG is committed to expansion of its investment in the ASEAN region, especially Indochina, to move beyond the limitations of the domestic market. In October 2006, Kan Trakulhoon, the chief executive of SCG, announced that net profits had shrunk by 9 percent to 24.8 billion baht as a result of the increase in energy costs, especially oil, and the decline in the domestic demand for cement.46 SCG has invested in cement production in Cambodia, tile production in Vietnam, and a chemical venture producing PVC pipes in Indonesia. Moreover, it has gained larger incomes from exports since the 1997 crisis.47 SCG has a vision of becoming a leading corporation in the ASEAN region.48

According to SCG executives, ASEAN represents a huge market of 500 million people with high population growth. SCG thus aspires to become an “Asian Leader” with the slogan “Think ASEAN, think of SCG in terms of quality products.”49 Its strategy is to promote its brand name in foreign countries, while investing in production in the ASEAN region, especially Indochina.

Cambodia forms part of this strategy. SCG has a 90 percent share in a cement plant in Banteay Meas, Kampot Province, with the remaining 10 percent held by local shareholders.50 It is also planning a second production site at Chagrey Ting, Kampot, involving US$ 182 million investment in a joint venture with Khao Chuly Company.51 In addition to cement, SCG has expanded its business interests to the production of building materials in Cambodia with a business operations centre called CPAC Monier
SCG's investment in this country represents a crucial step for Thailand's large companies in expanding business interests in Indochina.

The Chagrey Ting venture has a capacity of 900,000 tons per annum, enough to meet Cambodia's domestic demand for cement as well as to serve foreign markets, such as the United States, Vietnam, and Bangladesh, all of which are SCG's major export markets. The investment in cement production in Cambodia thus amounts to a relocation of SCG's production to benefit from advantages in terms of resources, labor, energy, and transportation. The site is relatively close to Vietnam's Danang Port which will enhance SCG's competitiveness in the world market.

Even though this investment is a Thai-Cambodian joint venture, SCG holds 90 per cent of the shares and will reap most of the profit. SCG is maximizing the benefit from its internal expertise and the advantages of the location. SCG will follow this strategy in other Indochinese countries.

Cambodia has multidimensional importance for SCG. The country is already SCG's third largest export base for cement, and can serve as a base for further export expansion in ASEAN and beyond.

**PTT in Cambodia**

The government directly and indirectly holds 68 percent of the shares in PTT, a state enterprise registered in the stock market. Its total assets now amount to 700 billion baht with a total market value of the whole company group of 1.5 trillion baht. PTT is responsible for all aspects of the country's energy needs, including oil, natural gas, and petrochemicals. It has a five-year investment plan (2005-9) with a total value of 181,830 million baht. The major part (78 percent) of the investment capital will be concentrated in the natural gas business to procure a sufficient supply for domestic consumption. PTT Exploration and Production, a 68 percent held subsidiary, is responsible for all investment in oil exploration and trade in foreign countries. Marut Marukatas, managing director of PTT Exploration and Production, stated in interview,
PTT Exploration and Production Public Company Limited is fully aware of its responsibility to the country. Its good performance during this time provides it with an opportunity for expansion of its investment abroad to consolidate Thailand’s long-term energy security. Though investment in this business is costly, it has long-term benefits for Thailand and its people.\(^{57}\)

The company cooperated with the Cambodian government in exploring and drilling oil and natural gas in Cambodia. As a result of this collaborative effort, in August 2005 the company entered into a production sharing contract with the Cambodian government for petroleum exploration. The shareholders in this joint venture include PTT Exploration and Production (30 percent), Malaysia’s Resourceful Petroleum (30 percent), SPC Cambodia, an affiliate of Singapore Petroleum Company (30 percent), and Australia’s CE Cambodia (10 percent).\(^{58}\)

The step into investment in the international energy sector represents an effort to find new energy resources as well as to increase profits from expanding PTT’s business abroad. The effort will make the company into a leading Thai multinational corporation in the next five years. The purpose is primarily to maintain its profit level when the oil and petrochemical business enters the down-trend cycle following the construction of oil refineries in China and the Middle East.\(^{59}\) PTT aims to increase its overseas investments by 20 percent within five years. At present the company’s targeted sales abroad account for only 5–7 per cent of the value of its total revenues that are expected to increase from 1 trillion to 2 trillion in the next ten years.\(^{60}\)

In February 2007, PTT signed a purchase deal with Société Concessionnaire de l’Aeroport, which has acquired a concession for a petrol-filling service at Cambodia’s Siem Reap international airport. Under this agreement PTT (Cambodia) will supply airline fuel (Jer A-1) for five years from 1 February 2007. The volume is estimated at 7.2 million liters and the value at 200 million baht.\(^{61}\)

Both SCG and PTT have goals to become multinationals with increased revenues from businesses in foreign countries. Cambodia is a country the two companies have perceived not only as rich in resources but also as an advantageous site for expansion within the ASEAN region.
Concluding remarks on the Thai private sector

In the perceptions of the Thai private sector, Cambodia is a source of economic benefits in various forms for the present and future. It is a source of cheap labor for Thailand’s labor-intensive enterprises such as fisheries, small textile factories, and other economic activities requiring wage labor. Cambodia is a location for the production of economic crops that are necessary for animal feed production and agro-industries through contract farming. Thailand’s large agro-industries require large quantities of these agricultural products that can no longer be supplied locally because of the growing shortage of cultivable land and high production costs.

During the past decade, while Cambodia and Thailand have maintained a traditional cross-border trade with an annual value of almost 40,000 baht, Cambodia has also become a production site for two of Thailand’s largest corporations. SCG has increased its investment in cement production in Cambodia to 3,500 million baht, which has the important effect of changing Cambodia from the company’s third largest export market to its cement production base in accordance with its new “Asian Leader” vision. Cambodia has already served as a production base for the corporate group’s main industries of petrochemicals, paper, cement, and building materials, and hence serves as a model for further expansion in other ASEAN countries, including Vietnam, Laos, Malaysia, Indonesia, and the Philippines. On the occasion of its centenary, SCG hopes to be a leader in the ASEAN region especially at the time of contraction in the domestic market and rising production costs.

Likewise, Cambodia is part of energy investment of Thailand’s second largest company, PTT, which has set a target for a 20 percent increase in its international investment within ten years in accordance with its plan to increase profits from international businesses to 2 trillion baht. Investment in Cambodia, a poor country with a per capita income of only US$ 280 per annum, clearly indicates that Thailand’s foremost business enterprises see this country as a source of huge economic benefits and as part of their plans for further expansion as leading enterprises in Asia.
Conclusion

In the post-Cold War era, Cambodia has become a new interest for Thailand. The stakeholders in this new interest are no longer confined to the national security circle that was once the major player in Thai-Cambodian affairs. Now the players include the national security agencies, the state, and the private sector. These different stakeholders have different attitudes towards Cambodia.

During the Cold War, the national security sector viewed Cambodia and Vietnam as security threats. This perception was profoundly influenced by historical as well as geo-strategic factors. However, with the end of the Cold War, Cambodia no longer represents a military threat, and the Thai national security forces established specifically to counter this threat have been disbanded.

For the national security sector, Cambodia has become a "border problem," focused on the non-traditional security issues found in all border areas, including illegal labor migration, drug trafficking, human trafficking, and other cross-border crimes. These issues are not under the sole jurisdiction of the national security sector but involve many other government agencies including the Ministry of the Interior, Ministry of Public Health, and private sector organizations such as the provincial chambers of commerce.

The Thai state that once maintained a hard-line policy orientation to Cambodia has changed its stance. It has now become a "collaborative state." For Thailand, Cambodia is a trading market, a resource base, a major source of labor, and an investment opportunity. The state thus needs to provide support for this neighboring country.

The Thai state has made use of assistance and cooperative mechanisms as effective tools for cultivating trust and positive attitude on the part of Cambodia. The principal forms of assistance include postgraduate study scholarships and funding support for training to enhance skills and mutual understanding between Thailand and Cambodia and other countries in the Greater Mekong Subregion.

The attitude of the Thai private sector towards Cambodia has also significantly changed. This change is attributable to its requirements for labor, raw materials, and the potential of Cambodia as a location for investment in various forms.
Thailand’s economic growth, coupled with differences in wage levels, have resulted in an influx of migrant workers from neighboring countries. Although the number of Cambodian workers in Thailand is smaller than those from Myanmar and Laos, the importance of Cambodian labor is not accordingly less. The arrests of illegal workers from Cambodia in response to the burning of the Thai embassy in Phnom Penh on 29 January 2003 had a heavy impact on the Thai fisheries industry. The severe shortage of labor for this important sector led the National Fisheries Association of Thailand to urge the government to stop arresting illegal alien workers until the government had come up with a clear alien worker policy and management scheme. As a result of the Thai private sector’s need for labor force, the Thai and Cambodian governments signed a Memorandum of Understanding on employment of Cambodian workers on 31 May 2003.

Cambodia is also economically important to the Thai private sector in other respects. The country is a location for investment in contract farming of ten products with support under the ACMECS cooperative framework. This project has directly benefited the Thai private sector, particularly its large agro-industrial ventures and animal feed production enterprises, because imports of these agricultural products are subject to zero tariff. The imports are used as raw materials for the production of animal feed and for export-oriented processing.

The Thai-Cambodian contract farming project has made considerable progress. The project has so far involved over twenty Thai entrepreneurs and three Cambodian entrepreneurs. The latter have offered a total of 400,000 hectares or 2.5 million rai for contract farming.

Although Cambodia still remains a poverty-stricken country, in the perception of some of Thailand’s largest companies, it is a major investment location. SCG has invested in a 3,500 million baht cement factory in Cambodia to supply Cambodia’s domestic market and Indochinese countries with building materials for national development projects. The location of cement production in Cambodia has the advantage of reducing transportation costs. Moreover, it meets SCG’s “Asian Leader” vision for expansion of its investment in the ASEAN region.
Thailand’s largest company, PTT, aims for a 20 percent increase of the value of its international investment within the next ten years. In 2005, it was permitted to join a product sharing contract for exploration in Cambodia. Hence, for large Thai business ventures, Cambodia is not a poor country but an area where they may pursue aspirations for expansion in the ASEAN region.

Notes

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15 *Krungthep Turakit*, 8 July 1997, p. 15.
16 *Krungthep Turakit*, 8 July 1997, p. 15.
30 This number includes 49,214 workers whose nationalities have been identified; 460,014 workers who have applied for work permits; 208,562 workers who had come to collect their work permits; and 7,205 Lao and Cambodian workers who came to work in Thailand under the MOU with their countries of origin. Cited in Office of the Permanent Secretary of the Ministry of Labor, ‘Economic and labor situations in 2007,’ in *Labour Situations in 2007*, 5 (January–December 2007), p. 26.
32 ‘The fisheries association urged the government to end arrests of alien workers, claiming the labour shortage is so critical that it threatens a close down of fisheries enterprises’ (2003), at: http://www.bangkokbiznews.com.
33 Nara Rattanaruji, ‘Thailand’s cooperation with the neighboring countries in the Greater Mekong Subregion: change and continuity,’ discussion at a workshop at the Institute of Asian Studies, Chulalongkorn University, 3 April 2007.
34 Noparat Sukrakarn, ‘Alien workers: solving the old problem only to create a
new one,' *Matichon*, 14 September 2001, p. 6

35 Nara, 'Thailand's cooperation.'

36 As of April 2005 the Thai government had registered 183,541 Cambodian migrant workers, including 75,804 workers who had been permitted to work in Thailand and were waiting for nationality identification and the granting of certificates of identity (CI). As of 1 April 2006, 32,254 of these workers had been nationally identified and granted CIs. Cited in 'Relations between Thailand and the Royal Kingdom of Cambodia' (2006), at: http://www.mfa.go.th/web/2386.ph.?id=51.


39 'Cooperation in the Greater Mekong Subregion: ACMECS.'

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41 'OAE [Office of Agricultural Economics] met [Thai] investors in Cambodia to discuss contract farming, claiming there was no impact on Thai farmers,' *Naewna*, 14 March 2006.

42 'Thailand going ahead with contract farming in Cambodia, claiming 2.5 million rai for agricultural production,' *Krunghop Turakit*, 11 March 2006.


44 'The Ministry of] Agriculture working out Thai-Cambodian cooperation project.'


50 'SCG executive reveals the group's strategy.'


52 Siam Cement Group, *Facts Book*, p. 12

53 The total amount of cement exports in 2003 was 11.81 million tons, a decrease from 16.59 million tons in 2002. The largest market was the United


55 The details of the investment plan are as follows: 60,123 million baht in 2005; 54,310 million baht in 2006; 26,185 million baht in 2007; 25,307 million baht in 2008; and 15,310 million baht in 2009. Cited in Suvit Sutthijirapand, ‘Tsunami has not affected PTT’s five-year plan: Prasert reveals 180,000 million-baht investment, promoting natural gas business as the country’s major revenue earner,’ Naewna, 5 January 2005.

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57 ‘PTT Exploration and Production Public Company Limited revealed a net profit of 7,183 million baht during the third quarter and announced plans for expanding opportunities for investment abroad to benefit Thailand’ (2005), at: http://www.newswit.com/news/2005-11-03/a595d9f9d9184f8e26a911917dfd6def/20/03/07.

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