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PRINCIPLES OF SUFFICIENCY ECONOMY IN MODERNIZATION OF STATE REGULATION (THE STUDY CASE OF THAILAND KINGDOM)

Sufficiency economy is presented in this article as the only possible alternative to global capitalism. Its key principles have been developed by His Majesty King of Thailand Bhumibol Adulyadej to be later implemented in various corporate projects and also in the practice of state economic regulation in Thailand. In this article the author assesses the probability of sufficiency principles adaptation within the system of economic administration and also the positive experience of applying this approach in crisis-overcoming corporate management.

Keywords: sufficiency economy; Thailand; state regulation; globalization; competitiveness.

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ПРИНЦИПИ САМОДОСТАТНЬОЇ ЕКОНОМІКИ В МОДЕРНІЗАЦІЇ СИСТЕМИ ДЕРЖАВНОГО РЕГУЛЮВАННЯ (НА ПРИКЛАДІ КОРОЛІВСТВА ТАЙЛАНД)

У статті самодостатню економіку представлено як єдину альтернативу глобальному капіталізму, її основні положення були розроблені попереднім королем Тайланду Пуміпоном і в подальшому були реалізовані в корпоративних проектах та практиці державного економічного регулювання в Королівстві Тайланд. Оцінено ймовірність адаптації принципів самодостатності в межах інших систем економічного адміністрування, а також описано позитивний досвід застосування цього підходу в антикризовому корпоративному управлінні.

Ключові слова: самодостатня економіка; Тайланд; державне регулювання; глобалізація; конкурентоспроможність.

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ПРИНЦИПЫ САМОДОСТАТОЧНОЙ ЭКОНОМИКИ В МОДЕРНИЗАЦИИ СИСТЕМЫ ГОСУДАРСТВЕННОГО РЕГУЛИРОВАНИЯ (НА ПРИМЕРЕ КОРОЛЕВСТВА ТАИЛАНД)

В статье самодостаточная экономика представлена как единственная альтернатива глобальному капитализму, основные положения которой, разработанные предыдущим королем Таиланда Пумипоном и в дальнейшем были реализованы в корпоративных проектах и практике государственного экономического регулирования в Королевстве Таиланд. Оценены вероятность адаптации принципов самодостаточности в рамках других систем экономического администрирования, а также положительный опыт применения этого подхода в антикризисном корпоративном управлении.

Ключевые слова: самодостаточная экономика; Таиланд; государственное регулирование; глобализация; конкурентоспособность.

Economic sufficiency and its unconditional actuality. The globalist concept of society's development which follows the economic determinism and idealizes market principles, high efficiency of performance and competitiveness as the only aims of social progress is essentially very much expansionist, prone to inequality and credit

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dependence, unstable and often leading to crises due to its internal social dynamics of conflicts and social polarization. It is also rather self-destructing since it does not have self-preserving functions (as normally any society or even small social group does). Neither it is able to develop the objective protective mechanisms against dynamically changing conditions. Moreover, it has the tendency to monopolization, and is unable to solve many of social problems). All of this demands constant market presence of the state since the latter has enough regulative competences and ideally, is supposed to be independent from the will and behavior of market actors (though obviously, in real life this is hardly possible in most countries).

The principles of liberalism and free trade (as well as the freedom of production factors' market) make economic conditions inside countries and at global markets comparatively equal. But at the same time the same principles also split these global markets by means of localizing the most profitable ones within the operational borders of leading corporations and keeping them available for economically successful countries mostly. This demonstrates and emphasizes the need to search for alternative concepts of national socioeconomic development in implementation of which any country (any society) should orient its own internal resources and own potential on stabilization of internal/national socioeconomic processes through certain autonomy from highly competitive external economic activity.

The concept of sufficiency economy, its theory and experience of practical implementation: Thai view. The concept of sufficiency economy has already found enough practical application at the corporate level as well as at the level of provinces and country as a whole. We consider here the case of Thailand which became the source of origin for the school now known usually as Thailand's Sufficiency Economy Philosophy. This philosophy stems from the remarks made by His Majesty King Bhumibol Adulyadej throughout his 58 years on the throne (NESDB, 2004a). It stresses the so-called "middle path" as the overriding principle for Thai people's conduct and way of life at the individual, family and community levels. Within this philosophical framework, choice of balanced development strategies for the nation in line with the forces of globalization is allowed, with the need for adequate protection from internal and external shocks. In particular, after the Asian economic crisis in 1997 in which numerous business organizations in Thailand went bankrupt, His Majesty reiterated this philosophy as the way to recovery that would lead to a more resilient and sustainable economy (NESDB, 2004b).

In the research on this subject and philosophy one of the first objects to be examined became small and medium companies that managed to survive through the 1997 year crisis, in particular, because they had been employing principles and practices of sufficiency economy already then (Puntasen et al., 2003). Among such type of practices the most popular were sort of practical recommendations concerning the efficiency of using the available resources and practices of workplaces creation. This practice was basically the opposite trend to then widely spread practice of manual labour substitution by automated one (which could trigger numerous social problems related to unemployment in such a big and densely populated country as Thailand is).

The already mentioned above (Puntasen et al., 2003) came to the conclusion that sufficiency economy principles and practices were then mostly applied by the export-oriented companies. Most of them noted already then sufficiency policy could

be considered as a tool to increase company's competitiveness at global markets due to more thorough planning, lower risks and higher efficiency of the resource use.

Later on the Office of National Economic and Social Development Board ordered to conduct three quite large research on the practical use and effectiveness of economic sufficiency philosophy application in various sectors of Thai economy – namely, paper production from silkworm fibers (Kantabutra, 2005), jewelry production (Nuttavuthisit, 2005) and also concrete production (Kusumavalee, 2005). These subsectors specifically have been chosen due to their high financial indicators, their export orientation of production and because all of them managed to overcome successfully the consequences of the 1997 financial crisis and saved their leading position in the overall structure of Thailand's economy (till now, actually).

Returning again to (Puntasen et al., 2003) production of paper from silkworm fibers is obviously based on local components (both key raw material and also dyes). This production also uses rather traditional, historical for many Thai regions technologies of water purification and paper dyeing etc. Management of these companies also uses rational planning with long-term orientation on the interests of their stockholders, thus minimizing risks and rejecting crediting as such. Their readymade product is primarily sold at local markets, export is of secondary importance for them.

K. Nuttavuthisit (2005) in the case of jewelry business noted that this sector managed to overcome the consequences of the Asian crisis rather smoothly due to traditional for this sector long-term relation with trading partners, highly diversified sales markets and wide variety of the product offered. Jewelry production is traditionally oriented primarily not on fast profits, but on building long-term relation with clients and partners, on their loyalty in time. And this is why in this highly specific field personnel development and its high qualifications are of vital importance since this is their key to innovative renovation of corporate approaches to product choice management and its promotion of global and local markets.

Slightly later (Santiprabhob, 2005) determined that enterprises operating on the principles of sufficiency economy were rather reluctant in terms of taking orders, orienting on profit only, in crediting and business expansion.

And finally, according to the results obtained in (Kusumavalee, 2005) large enterprises producing concrete have been heavily investing in their human potential because they treated it as the key resource for their innovative development.

And according to the very concept of sufficiency economy, the state economic regulation must be based on three principles.

Principle #1. Multidirectionality in state external and internal economic regulation. The key point in external economic policy is its economic efficiency based on expansion and upbringing of national champions capable to be competitive in global competition. At the same time, the internal economic policy must be based on social justice and social stability in the long term.

Principle #2. Implementation of internal and external national economic policies must be to the maximum independent from each other. State's success at external markets should not lead to the outflow of assets, technologies and human resources from the internal market. External success must not limit the efficiency of internal economic policy, and vice versa.

Principle #3. Implementation of internal economic policy requires thorough and exact definition of its strategic and operational levels which are different in their role while setting the priorities for socioeconomic development. If a sector of economic and/or social relations or a certain resource is assigned to the strategic level — this means it provides self-sufficiency of the socioeconomic system, fairness of internal economic policy and autonomy of internal policy from external one. And if a sector is assigned to the operational level — it is supposed to provide the connectivity of internal socioeconomic system to global economy, including the world capital market, all import and export operation, technologies exchange etc. Both levels have their own, specific prospects of investment, planning, control and accounting.

Sufficiency as the principle of economic regulation. Sufficient economy is always oriented on the development of those sectors which are capable to provide its stability and relative (at least minimal from the standpoint of welfare) autonomy of the national economic system. This actualizes the use of self-sufficiency principles under the conditions of today's already permanent global instability. Obviously, in contemporary globalized economy instability has long become chronic, while global economy itself clearly shows the most evident social and economic problems and contradictions which arise between countries, their separate territories, branches of global economy etc. All these contradictions make global balance a nearly impossible phenomenon to achieve. Any local conflict arising and developing in our times of Internal media and other transnational flows of speculations (implying both financial speculations and those of meaning) can suddenly have a significant impact on stock markets worldwide, on the dynamics of global markets developments etc. In such a situation stability of a particular state can be determined only by its "immunity", its ability to resist external shocks, its capability to overcome both external and internal problems at the same time, having at hand internal resource only. Clearly, there is a necessity to strengthen this "national economic immunity", this ability to resist external shocks. And for this matter state power must: limit the interconnectedness between external and internal economic results of national policies; form and intensify the development of strategic sectors based on internal socioeconomic priorities; form and accumulate the national resource to be further used in the process of negative internal consequences elimination (in cases when global economic environment changes to worse).

The choice of strategic sectors must be planned taking into account the national potential (resources, capital, technologies, labour etc.). And what is more important, strategic sectors must have strictly internal development goals (but not the goal, for example, to increase the share of this country in world exports). The attention thus must be shifted from highly profitable in terms of exports sectors (the ones which have the most of competitive advantages at world markets) on the sectors and enterprises, or even separate producers which proved to be liquid under crisis (for example, food producers, FMCG, medical products etc.).

The state with an intention to implement the sufficiency concept can start with the list of prioritized sectors and enterprises to be further officially included into the state zone of strategic responsibility and control over their consequent development in accordance with long-term internal guidelines.

The fundamental issue for social justice and internal stability is collective, joint responsibility for the subsoils and all other natural resources of the country (or a sep-

arate territory) along with the right for each citizen to use them and get income from their commercial use. Therefore, the state must strictly but at the same time transparently regulate any business access to any natural resource, and also develop the compensation mechanisms for their commercial use. Interests of some sort of moguls/tycoons when it comes to natural resources' distribution must be blocked and fully ignored.

Import substitution within the framework of sufficiency economy also serves as an important instrument of national stability provision. And this import substitution must be not fragmentary, not constant, continuing, being partially financed by the state itself (for example, through some sort of specialized target funds). We should also note here that economic self-sufficiency of the country is the logical consequence of sufficiency of its each village, town, city, region etc. Therefore, the teaching of sufficiency economy can become the guidance for management/administration not only on the national level, but also on the level of separate provinces/municipalities/regions etc.

Self-sufficiency of national financial policy. As already determined above, financing today has become the universal instrument, translating and distributing events of various nature (economic, political, social) between markets and sectors. In this regard, financial self-sufficiency, state immunity from global financial shocks and other finance-related problems have become the important component in provision of economic sufficiency of any country.

From the standpoint of economic sufficiency, in the field of finance the state must:

- set a certain limit on foreign investments flow into the national economic system with the aim to minimize internal negative consequences from potential global economic crises. Similar to agricultural application of SE doctrine, as described in (Wibulsawasdi, 1987), we can suggest here the scheme 30-30-30-10 in relation to foreign investment, in which no more than 30% of all foreign investments can be assigned for the services sector, also 30% – for enterprises and sectors which are determined as strategic ones; 30% – on exporting sectors and enterprises, and only 10% – on importing enterprises and branches. Regulation of this distribution of foreign investments, first of all, would protect national economy from misbalancing (by means of concentrating resources on certain types of activities only), and also this regulation could become an efficient mechanism supporting national immunity to external crisis through import substitution;

- similar to this management of foreign investment, the state must also regulate the internal flows of capital, so that to prevent economy's misbalance (for example, the prioritized development of export-oriented resource-rich sectors in parallel with active imports of FMCG). In this context national dependence from imports of basic necessities seems to be one of the most importance dangers. Here we can also recommend to apply the ratio of 30-30-30-10, in which the first 30% share in internal investments should fall on the enterprises oriented on internal consumption demand satisfaction, and also on enterprises, exporting national products and thus exempted from customs duties, and then go the enterprises exporting national products which are subject to customs duties (e.g., natural resources, agricultural products). The last 10% then fall on enterprises engaged in imports of goods and services;

- tax policy of the state must be based on gradual rebalancing of taxation load from private individual onto legal entities, from poor taxpayers on more well-to-do. Emphasis in tax planning should be on indirect taxed (value added tax, import and export duties, excises etc.) within the same share distribution of 30-30-30-10 – respectively, tax on value added, customs and excise duties, tax on legal entities income and tax on private income.

Tax policy reform taking into consideration the presented here recommendation would guarantee more fairness and justice in distribution of tax load: more payments fall not on those who work more, but on those who consume more and earn more. Tax policy should also promote investment activity growth for both large national companies and population (the invested volumes should be subject to tax exemption). All of this would provide proper motivation for population labour, and also more careful attitude to the earned assets, so that the latter can be further spent not on consumption, but for capital accumulation and personal income further growth.

Interest rates in banks should be at the minimal level in order to stimulate population to get involved in investing activity more. People should be ready to launch small and medium business even under a minimum maintenance margin (that is, be motivated to do business even under lower than standard profitability). Banks should seize to be attractive for general population as a way to accumulate and earn more money (people should be more interested to earn this same money while doing business). At the same time banks should become more active investors in relation to large, national-scale infrastructure projects with rather long payback periods. Despite the obvious and already notorious benefit for banks from consumer crediting, they should reorient their style and philosophy of work from population crediting to national-scale crediting.

International financial activity of banks should be separated from their in-country performance. Thus, banks' foreign investment activity, their performance at various stock exchanges, offshore operations of their most important clients etc should not interfere with bank activity of the most important national clients which are of strategic importance. Essentially, each bank (or its separate branch) engaged in external economic activity of any sort must become sort of an offshore itself, thus losing the right to service local residents but at the same time getting wider possibilities for attracting foreign investments into the local economy. Direct activity of foreign banks within the country could be allowed on offshore conditions only (that is, not related to local population or local business at all). Banking policy of the state under the conditions of sufficiency economy must be explicitly two-vector one in accordance with more general national economic policy.

One of the most potentially troublesome aspects of national financial policy modernization based on the implementation of sufficiency economy principles is the monetary policy and the related changes in it. In today's conditions implementation of national monetary policy in most cases is hardly possible as such since all central/national banks worldwide are obliged to follow international standards and other recommendations of various international organizations (Albert, 1993). And if a central bank indeed follows all these international standards and recommendations, it simply loses its own right to regulate independently the country's own finance. And this, in turn, hinders national economic progress in accordance with set strategic pri-

orities of internal development. Balancing between economic autonomy and following internal economic interests on one side and inclusion at world markets on the other requires certain financial sovereignty of a country, namely, in the fields of money emission and national money supply.

Volumes of money emission must be correlated not with the volumes of foreign exchange reserves but with the actual volume and dynamics of gross national product (also taking into account the inflation forecast). In this case national government would get full powers for adequate monetary regulation of country's economic growth, and also country's autonomy from various unfavourable situation at international financial markets will significantly increase. National currency must be backed not only by gold & foreign currency reserves of the country, but also by other strongly liquid assets (including securities and also resources and commodities which have increased external demand at other markets).

Financial autonomy of the country and its sovereignty in monetary policy are the key preconditions for self-sufficient development of national economy. As of today, this seems to be an ideal situation, hardly realistic one but this does not mean that this priority should be neglected as such.

Therefore, today sufficiency economy is representing a valid and will grounded alternative to globalism and neocolonialism as the leading manifestations of capitalism in the contemporary world. Priorities and guidelines of sufficiency economy, despite their obvious idealism in certain aspects, can be still implemented in real practice of state economic regulation. Moreover, they can form the basis for further modernization of public administration system, both at the level of separate enterprises, and at the level of country overall. And Thailand, in this regard, is one of the most convincing examples of sufficiency economy principles implementation at the level of separate business units, economic sectors and country overall.

Conclusions. It is worth noting here that in some cases implementation of economy sufficiency principles in the Kingdom of Thailand have been not really successful because it happened to be in contradiction to Anglo-Saxon approaches to business processes which are to a larger degree oriented on maximization of short-term results. In this regard it should be that majority of Thai business managers got either global MBA diplomas, or have been studying on the courses based on American or British textbooks (Vathanophas, 2005). Also noteworthy that as opposed to vast majority of Western schools and economic teachings, sufficiency economy is oriented more on the longer term, thus widening the horizons for the companies applying it and increasing their potential incomes. However, under constant pressure from stockholders and Board members, Thai managers find it rather hard to apply and popularize sufficiency economy ideas within their working environments, especially when it comes to those Thai companies which are listed at stock exchange and thus are limited in many of their decisions by quarterly reporting. Moreover, in the conditions when wages of top and mid-level managers are in direct correlation with company's financial indicators, these managers, again, experience problems with turning to more long-term oriented philosophy and style of management.

W. Bennis (2003: 5), a renowned leadership scholar, has argued that "the emphasis solely on short-term financial results is reckless... leads to short-term-ism, lying, and scandals". While G. Avery (2005), another known leadership scholar, also asserts

that the Anglo/US shareholder value approach is seriously flawed and contains the seeds of its own destruction. Unfortunately, the Anglo/US capitalism model, despite much criticism growing worldwide, is the prevailing model in the corporate sector of Thailand.

We assume that under such current conditions the only valid way to support Thai managers in development and implementation of their strategic initiatives is to change the rules of reporting, listing and quotation at the central financial platform of the Kingdom, in particular, we can start with rejecting the idea of direct dependence between personal wages of managers and financial indicators of the companies they are working for. Besides, the stock exchange itself could initiate the calculations of a specialized index of sufficiency which potentially can become an important factor in investment decision-making for both long and short term.

No less important issue in the implementation of sufficiency principles is human resource management. As the experience of overcoming the consequences of 1997 crisis shows, for many companies in Thailand human resource became the key factor of survival and continued performance. Several researches (Puntasen et al., 2003; Wong Cha-um, 2001) have shown that Thai large companies which managed to maintain their HR potential during the crisis, were the first to announce the crisis was over (1999–2000) and they also got an additional push factor for their consequent growth and development, thus outrunning other large companies which managed to maintain only their material assets during the crisis years.

Applying the principles of sufficiency in economic administration requires the modernization of innovation policy which is actually central for many types of production. Most of Thai workers and managers see innovations as something radical, a drastic change of a product or a service as such (Kantabutra, 2005) or a brand new type of it, in real practice an innovation flow can actually originate from modernization of rather auxiliary services (e.g., delivery of orders etc.). And in this regard the system of personnel management and/or the system of personnel retraining can actually become the starting point for such innovations at an enterprise. And in order to reach the state of constant flow of innovations, companies must develop cross-company internships, team spirit and team work inside the company, also employees themselves must be able to think out of box etc. For sufficiency economy people are the key value and the top priority, innovators especially, as the bearers of new knowledge which is always the source of sufficiency and long-term development.

Companies have to apply actively and intensively national technologies, thus increasing the internal demand for innovations through commercial stimulation of national innovative potential. Local technologies can provide not only local competitive advantages but also global ones. For example, Toyota Thailand has a rather active policy of cooperating with local universities, research centers and independent engineers, all of them are often invited on the annual meetings during which the company shares its plans for the near future (concerning new and potential models, technologies to be applied, new post-service systems and updates in sales policy etc.). A truly innovative company is not only highly professional, mobile and open to the maximum but also ready to share knowledge and innovations it already has.

Finally, for active use and successful introduction of sufficiency economy practices in Thailand there is an obvious need for revision of current business courses and

university programmes, so that not only Anglo-Saxon methods, textbooks and teaching are involved, but also the local professionals who are aware of and already have certain experience with sufficiency economy principles application.

Even Western science and education themselves have already realized the obvious need to question the currently widely spread approaches to business planning and business processes organization. For example, H. Mintzberg and his colleagues (2004) from Canada's McGill University are strongly criticizing how managers are educated in typical MBA programs, and the dehumanizing results of their actions on the society later on. H. Mintzberg himself is very much concerned about the sustainability of Anglo/US business leadership. Endorsing the same view, D. Dunphy (2003) from Sydney, Australia supports the search for the alternatives in this regard because "business as we practice it and teach it is unsustainable. We cannot continue to conduct business as usual".

Considering the above and taking into the account that these are just the examples of much more widely spreading criticism of Western approaches to strategic management, the sufficiency concept as proposed by His Majesty King of Thailand Bhumibol Adulyadej should become of vital importance and extreme interest for Thai business schools countrywide. They need to integrate the principles of sufficiency economy into their education programmes and process, and not as some optional, additional short-term course, but as a radically new paradigm of economic processes as such – at the levels of separate companies, sectors, the state and global community.

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