

Academic Article

THE PARADOX OF THAILAND DIGITAL ECONOMY: WILL THAI GOVERNMENT MOVE FORWARD OR STAY REMAIN?

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ABSTRACT

This essay is a preview on various forms of governmental decision making by adopting public management as a strategic decision framework by Politt and Bouckaert (2000). Drawing scene setting by digital economy focusing on sharing economy in developmental states, the critical review put the combination of clientelism political and rent-seeking activity into the debate where mislead government decision making into unfairness resource distribution in market. The essay is more concreted by applying a banned of sharing urban mobility service which using the online platform in Thailand. However, there is no final position from the author. In fact, the authors humbly leave a short reminder that any decision making should base from the public interest.

Keywords : new public management, clientelism, digital economy, sharing economy

INTRODUCTION

Presently, a new business model which based on collaborative production methods through either crowdfunding or new 'sharing economy' platforms rapidly becomes one common key challenged among most of countries around the globe. Since the Information and Communication Technologies (ICTs) are transforming the ways of social interactions and bring us a new platform that challenge the exist regulation,

OECD (2015) strongly suggest that any countries should be able to provide balanced policy responses that enable innovation while protecting the public interest (OECD, 2015)

In this paper, we argue that government should enact a proper regulation towards this challenging platform to maximize public interests. We divide the paper into three main sections. In the first two part of this paper, it is designed to review relevant literatures in new public management framework. To

be more specific, we have applied a new public management framework as strategic decision making model by Politt & Bouckaert (2000) This model is crucial to analyze how government react when the circumstance is changing. Before moving forward to the next section, we have discussed political clientelism in regard with being an intimidate for NPM. In the second section, we review the current debate of digital economy and its merit towards each nation and their different policy response (Osborne & Louise, 2014) More specifically, we concentrate on 'sharing economy' as it is a current debate whether it is an angle or an evil. In the last section, we bring case study of banned GrabBike and UberMoto in Thailand due to the claims of illegal and unfairness competition. It should be noted that we have yet proposed any suggestion; in fact, we provide multi scene settings for a further kind consideration.

New Public Management Framework as Strategic Decision Making

Since 1970 onwards, there were many numerous circumstances which directly affect role of state which had been continuously expanded. Hyndman & McGeough (2008) provide the list of phenomena which are including financial distress, social changes, globalization and increased competition. Hyndman & Liguori (2016) conclude that

role of the state should be reviewed by governments Hood (1991) offers the new form of governments that should be more flexible than the existing. More specifically, Hood proposes the main theme of NPM in his publishing titled, *A Public Management for All Seasons?* as being 'the idea of a shift in emphasis from policy making to management skills, from a stress on process to a stress on output, from orderly hierarchies to an intendedly more competitive basis for providing public services, from fixed to variable pay and from a uniform and inclusive public service to a variant structure with more emphasis on contract provision' (Hood, 1999).

Crucially, Politt & Bouckaert (2000) propose an interesting model for new public management reform. The model is drawn by viewing a reform as a strategic decision making. The basic assumption begins by constructing an interaction between three systems which are political system, market economic system and a system of law and administration. More importantly, all of them lie beneath the circle of civil society. Simplicity, there are four basic strategies for dealing with the pressure on the state apparatus. As we can see the top left diagram in figure 1, the tightening traditional control is generally maintained the system of administration and

law. The second strategy is at top right. It is enable the faster and flexible by deregulation and engaging citizens with participatory processes. Next, marketize the system which is placed at bottom left in the figure 1, is made to institute as many market-type mechanism (MTMs) within the system of administration and law. The last strategy is to minimize the administrative system. This scenario is handing over as many tasks to the market sector through privatization and contracting out approaches. Arguably, these four strategies are the sequent regime which appear to have leaned towards one or other of their strategies.

Clientelism

Punyaratabandhu & Unger (2009) argue that the certain environments – social, cultural, and political – are presumably more conducive to the success of management reform efforts. Bidhya Bowornwathana, Lawrence, Jones (ed.) (2009) On the other hand, Schedler & Proeller (2007) propose that the context of transparent, performance

based and accountability are very helpful for the reforms (Schedler, 2007) Conversely, the environment that friendly for NPM is very rare to find out in the system of political clientelism.

In some scenario, there is an interesting group, called the Mafia, who performs quasi-political functions particularly in deprived communities. It is an extra-legal source of legitimate services that the formal state is supposed to provide, but does not. Even though, the formal state has tried to regulate, many mutually advantageous exchanges occur (Brinkerhoff & Goldsmith, 2002) Eventually, political clientelism involves promises of favorable policy implementation rather than policy pledges. It tends not to feature lawmaking and great struggles in parliament to enact landmark legislation. Rather, it involves quite efforts to nudge the ways in which existing policies are applied so that they can benefit favored constituents. And, as noted above, clientelistic politics tends to vitiate democratic accountability.

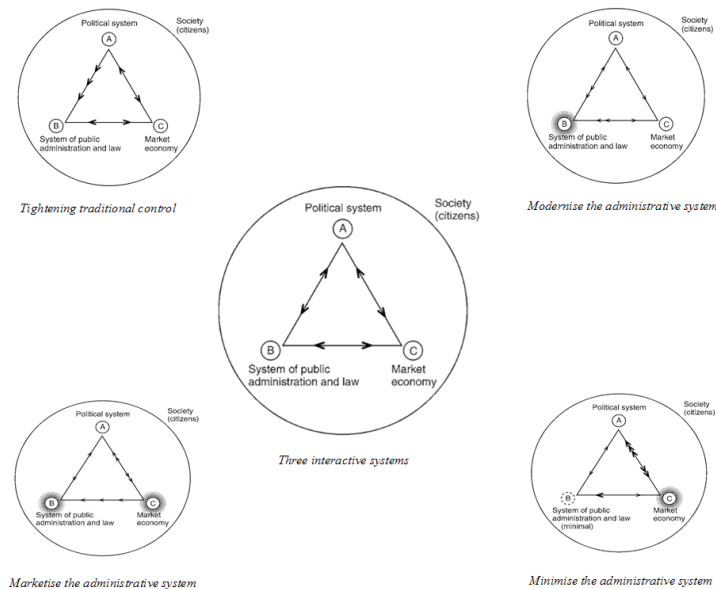


Figure 1 Three Interactive System and the State Apparatus (Politt et.al, 2011) Pollitt, C. & Bouckaert, G. (2013)

Digital Economy

According to Table 1, there are various definitions on digital economy.

Table 1 Definitions of Digital Economy

Sources	Definitions
The Oxford Digital Economy Collaboration Group, Oxford University	The digital economy enables and conducts the trade of goods and services through electronic commerce on the internet. The digital economy is based on three pillars: supporting infrastructure (hardware, software, telecoms, networks, e-business (processes that an organization conducts over computer-mediated networks) and e-commerce (transfer of goods online).
OECD	The digital economy enables and executes the trade of goods and services through electronic commerce on the internet.
Department of Broadband, Communications and the Digital Economy, Australia	The global network of economic and social activities that are enabled by information and communications technologies, such as the internet, mobile and sensor networks'. This includes conducting communications, financial transactions, education, entertainment and business using computers, phones and other devices.

In short, digital economy may refer to any economy systems that conduct through the digital technologies. Undoubtedly, this widespread adoption would somehow affect each nation in the globe at different degrees. Most of governments in OECD countries see the digital economy as a merit. In doing so, they have established national strategies addressing policy priorities related to the digital economy to expand its benefits and respond to key challenges such as reducing unemployment and inequalities, and lifting people out of poverty. For example, Australia propose a strategic plan to make the country as “a leading digital economy by 2020” by framing with the nurtures, not stifles, innovation and investment concept.

However, Heimler (2016) compares a reaction between resistant of Europe particularly and America's hospitality towards the digital business model. His analysis on European regulatory structures is that it is principally designed to protect consumers, end up protecting entrenched suppliers and stifling innovation. From his viewpoint, Italy, which portrayed as a case study, liberalized its retail sector only in 1998. Italy has far fewer grocery chains today than France, Germany, and the United Kingdom. Indeed, these countries chains, forged in the fires of competition at home, now dominate emerging

markets in Europe and elsewhere. In Italy, the limitations on large stores created market power at home for those few that nonetheless managed to emerge and grow, but left them too weak to expand abroad (Heimler, 2015 ; Scharrer, 2005).

It is hard to deny that many European countries commonly have structure of regulations that protects suppliers more than consumers, hampering innovation. In the contrast, the U.S. innovative market entrants are seldom blocked, and only if overwhelmingly justified by the public interest. Heimler (2016) suggests that the valuable of innovation bring about new market entrants which is more appreciated than being protected the existing market participants. Furthermore, the state authorities should focus on an outcome-based regulation which aimed at the protection of consumers, not producers.

Sharing Economy

Koopman, et.al. (2014) suggest that it is helpful to think of the sharing economy as one marketplace that brings together distributed networks of individuals to share or exchange otherwise underutilized assets. It encompasses all manner of goods and services shared or exchanged for both monetary and nonmonetary benefit. Even though, the sharing economy brings benefits

to consumers such as a high variety of services and lower prices, some may oppose this new platform because sharing economy is possibly to bleach state law. Nonetheless, Lehrer & Moylan (2014) argue that law and regulations is not always consistent with sharing economy model since they were written beforehand of the technology availability. In the contrast, their structures have often led something of a “ban first, ask question later” in the wide range of national and local law and regulations

Additionally, Koopman, et al. (2014) flip another side of coin to discuss for the causation of limiting entry. While law and regulations are made for justify public interest, it turns to protect an incumbent firm which benefit only a small powerful and political group. To this extent, they claim that in some situation have raised strong reactions from incumbent business associations, who regard it as unfair competition; from trade unions, who are concerned by the undefined status of the people working in these new businesses; and from policy makers, who want to ensure the protection of consumers and workers, to the point that these activities have been forbidden in some countries or cities.

Rent-seeking is taken into this context because its terminology is used to contrive exclusive privileges rather than to create

value for customers, these efforts cost society forgone productive opportunities. In this so, regulation often undermines competition which resulting in higher prices, fewer choices, lower quality service, or some combination. While the ease of entry and innovation in the online platform allow new entrants to provide better options and address problems previously. This shows the contradiction already come to the point.

Sharing Urban Mobility Business Model

Apparently, there are two kind of rapid growth sharing economy market. First market is a short-term rental of space, mostly homes. although home exchanges are not new, the speed and scale at which platforms such as Airbnb have made commercial home sharing a common practice is unprecedented. The second market in which sharing economy business models have emerged at great speed is urban mobility. Shared mobility options range from the rental of private cars (Zipcar), rides (Uber and Lyft) to station-based cars (Autolib') and bikes (Velib') (Grab, Uber welcome new rules, 2016 ; Like Uber, 2015)

These services are enjoying strong success among users, although their impact on urban mobility remains to be assessed. The factors that facilitated the emergence of

these goods are, among others, increasingly ubiquitous mobile internet penetration, the availability of real-time geo-locational data, social networks and the availability of online ratings, as well as constrained economic conditions which may have encouraged citizens to welcome additional opportunities to monetize assets, and consumers to welcome cheaper offers. Urban sharing mobility model produce the advantage on increasing transport options in cities, reducing resource consumption and possible changing the overall face of urban mobility. Ratti & Claudel (2014) note that on-road mobility demand in Singapore could be met with 30% of the vehicles currently in use in the city. a calculation by the International Transport Forum estimates that car sharing could reduce the feet size in cities by half.

Despite its unprecedented successful, this innovative service faces stiff pushback from incumbent cooperation and state regulators in almost every market. To date, the anti-incumbent “playbook” has overcome many such attacks. In California, for example, Uber convinced state regulators to classify it as “transportation network company,” allowing it to operate in exchange for requiring driver background checks and increased insurance coverage. Likewise, Washington D.C., Houston, and several other cities have passed ordinances explicitly permitting Uber

to operate, imposing only limited rules about pricing, insurance, and taxes. Beyond the United States, Shark (2015) concerns that an intelligent transportation that cities and states are struggling to rewrite regulations governing traditional taxi car and services. Uber has faced substantial limitations, with UberPop drivers being banned from Belgium, France, Germany, the Netherlands, and Spain. Uber’s CEO was even indicted in South Korea.

According to Tyler Cowen (2009), “There has been a fundamental shift in the balance of power between consumers and salesmen over the last generation and it points in the direction of consumers (Shark, Alan R., 2015) Unsurprisingly, the regular cab drivers have been strongly opposed to these online dispatching service claiming that these new entrants are not required to have the same insurance requirements and do not have to go through the same background checks. Furthermore, many cities have issued bans or moratoriums even though those who use the services are very satisfied. This is a well illustrate of how technology can often challenge administrative and regulatory structures where public managers have been totally unprepared (Rauch et. al., 2015).

Koopman et.al., (2014) and Shark (2015) strongly believe that modern online feedback mechanisms have made it easier

for honesty to be enforced through strong reputational incentives. And because rideshare platforms have opened traditionally cartelized industries to new competition, they have also permitted firms to regulate one another's behavior. Thus, competitive firms are often quicker than regulators to point out the substandard service of their rivals. The result is reasonably well-functioning, self-regulating markets with strong checks on improper behavior. Bad actors get weeded out quickly through better information, reputational incentives, and aggressive community self-policing. Goldman, E. (2010) refers to this as a "secondary invisible hand" (Cowen, 2009)

Nonetheless, it would be more advantageous to review the most recent regulations regarding sharing economy in Australia and Singapore. Haylen (2016) identifies a couple state regulations which directly involve with urban mobility business Goldman, E. (2010) These are including Competition Policy Review and Productivity Commission Draft Report into Business Set-up, Transfer and Closure. At the local level, New South Wales State (NSW) already regulating the ride-sharing company. It specifically looks at competition in the market, the impact of taxi regulations, new technologies and customer safety. Remarkably, the collaboration among state agencies, interest groups and new

entrants with digital economy platform is already happen in Singapore.

In 2016, Singapore government by Ministry of Transport (MOT), Land Transport Authority (LTA), The National Taxi Association (NTA) and transport apps Grab and Uber have released statements in response to changes to the licensing frameworks which aims to yield the most beneficial and protect the commuters. This framework ensures that drivers providing chauffeured services undergo sufficient training on safety and the regulations for providing such services. While, Taxi Driver Vocation Lincencing (TDVL) courses will be revised in reflect changing industry practices and technology. The existing taxi drivers will be taught how to use tools such the Global Positioning System (GPS). Moreover, the system is flexible for the existing TDVL holders to be a dual TDVL-PDVL (personnel driver vocational license). In the parallel, ride-hailing service provider Grab says that their framework is contained robust driver registration, training and ratings and vehicle inspection. Ultimately, the harmonization between service quality and regulation adjustment reflects an admirable strategic move of Singapore government.

Digital Economy in the shoes of Thai Government

One of key challenge in Thai context is to "raise capacity and competitiveness in

all economic sectors with digital technology, including agriculture, manufacturing, and services with a strong focus on SMEs and Community businesses". The Ambiguity standing point of Thai government towards digital economy has been raised up as social issue since Department of Local Transport (DTL) on has suspended motorcycle taxi-hailing services run by Uber and its regional rival Grab. The authorities claim with a couple reason. First, sharing mobility model broke local rules and are clashing with registered transport companies. Second, these services were jeopardizing security, safety and local transport systems because they created unfair competition for the registered driver. their motorcycles were not covered with accident insurance for passengers and drivers' criminal records were not checked by the government.

Literally, motorcycle service is very essential for Bangkok urbanist who live in the grid-locked city. Fortunately, more than 186,000 registered motorcycles that are weaving through traffic jams to get people around in a fraction of the time a car takes. Head (2016) and Fedrickson (2106) take the quick glance at the existence of motorcycle service in Bangkok. Formerly, the drivers were managed by local informal groups covering most of the grid-locked spot in the Bangkok. The drivers must pay a fee and

a percentage of their earnings to exchange with their safety in the career. Moreover, every driver is acknowledged by putting jackets with individual number and name of their stations. The drivers take the right to wait for passengers at prime spots. In regard with these informal regulations, the Mafia gangs of motorcycle drivers have always been fiercely protective of their patch, and hostile to the other drivers operating outside their areas. Consequently, DTL authorities have introduced a long set of rules governing Bangkok's large army of motorcycle-taxi drivers over the past two years. At this point, drivers must be properly licensed, wear bright colour vests which directly purchased from the DTL, wear helmets and charge fees according to published rates.

However, the arrival of Uber and Grab motorbike services is claimed as being a threatened to disrupt this arrangement. Thus, it is not surprising that the authorities are not welcoming competitors entering the market. During the time being suspend of GrabBike and UberMoto, GoBike which managed by the National Motorcycles Drivers Association has entered the local app store. However, GoBike is downloaded by only a thousand users in a quarter with 1.5 stars rating. Some users claim the unsatisfied service due to the limited of service coverage as well as the high service fare.

CONTENT

In this paper, we begin to review a new public management model of decision making strategy to indicate the standing point of states when they have been encounter from global force. Additionally, the informal governance systems are mostly embedded developmental state which led to an unfairness market by enacting regulation to obstruct new entrants into the business. Consequently, clientelism and rent-seeking are an impediment of democracy with the focusing on transparency and accountability. Digital economy is a new economy system that conduct through the digital technologies particularly an unprecedented successful service of sharing economy model. However, the formal states alter their decision on the arising of digital economy. For example, Singapore choose to marketize the system while Thailand probably decide to maintain the administrative system.

Specifically, Thailand is seeking to overcome a “developing country” level. Many former government had been put the effort by reforming public management system. Since 1997 economic crisis, public administration in Thailand were covered by a discourse of “transparency and accountability government” which seems to apply modernize administrative strategic.

However, the clientelism political, which claim to be an intimidating environment for NPM, still commonly embedded in Thai business model. For example, the ubiquity of informal motorcycle driver group at Bangkok prime spot which is able to well represent a clientelism business model in Thailand. This is perceived more obviously when the state authority orders Grab and Uber to halt their ride hailing service by claiming that their operation are bleaching law and conduct an unfairness economy. When the regulation is not consistent with the new business model, Lehrer & Moylan (2014) say, “ban first, ask question later. Even being a mellow much of maintain administrative strategy, when static regulations meet rent-seeking activities in digital economy platform.

CONCLUSION

In the bottom line, this paper is along the line with Heimler’s statement that regulations can delay market entry, but technology cannot be stopped forever; new entrants eventually will break through. Even though, the authors take no position in the final point, state governments themselves should be rather consider whether what is exactly the best strategic decision that should apply to yield the public interest in whole.

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