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Human-Scale Economics:

Economic Growth and Poverty Reduction in Northeastern Thailand

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Under what conditions does economic growth benefit the poor? Most development experts, economists, and policy makers agree that expanding the value of goods and services in any economy – that is, economic growth – has the potential to reduce poverty (Kanbur 2001). This consensus breaks down, however, at the question of how consistent the connection between economic growth and poverty reduction actually is, and which kinds of economic activities reduce poverty most effectively. A number of economists (e.g., Bhagwati 1985; Lal and Myint 1996; Dollar and Kraay 2002; Spence 2008) have argued that economic growth measured through GDP can be generally assumed to benefit the poor through mechanisms such as trickling down from rich to poor or radiating out spatially from growth poles. As long as economic output expands, they say, members of all income bands will generally benefit. This argument has received substantial criticism on both methodological and theoretical grounds (e.g., Weisbrot 2000; Eastwood & Lipton 2000; Rodrik 2000).

In addition to directly criticizing the purported relationship between economic growth and poverty reduction, examining exceptions to this relationship can also be fruitful. Examining economies that yield dramatically more poverty reduction than others despite their similar economic growth rates can unearth new ideas – policies, economic activities or other types of interventions – regarding how to make economic activity better serve the poor. Still, the causes of poverty are legion and interconnected – in addition to social forces, geography, and demography, even the weather and natural climate can play important roles.

How then do we sort out which variables lead to exceptional poverty reduction? By comparing anomalous cases with otherwise similar cases that experienced significantly less poverty reduction, we can inductively infer which factors caused the divergence in outcomes. We adopt this approach in this paper. Here, we employ a “most similar systems”

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research design (Lijphart 1971; Bennett and George 2004) by comparing the experiences of two neighboring provinces in northeastern Thailand: Surin and Si-Saket. Studying them can inductively produce empirically based, and testable, expectations about which pathways can create poverty reduction outside of economic growth. These two provinces are similar across a number of factors, yet have had sharply contrasting and unexpected records in reducing poverty despite similar growth trajectories.

First, both of the selected provinces share the same overall national policy framework. Thailand has a unitary government, with policy directed by the center and administered through a national bureaucracy (Mutebi 2004). Despite decentralization starting in the 1990s, provincial administration remains highly constrained; provincial officials are considered agents of the central government and are expected to implement national policy faithfully. Such leaders enjoy a very low degree of autonomy. Second, the two provinces neighbor one another and enjoy similar demographicsⁱ and geographicⁱⁱ and environmental strengths and challenges. Third, both started the period under investigation with similar proportions of the population living in poverty. Yet, in spite of these similarities, Surin saw rapid poverty reduction despite a brisk but somewhat slower rate of growth, while Si-Saket experienced one of the lowest rates of poverty reduction in the region, despite its somewhat more rapid pace of economic development.

In order to understand this puzzling pattern, we adopted a three-pronged research strategy. First, we reviewed relevant statistics and the modest amount of research published so far on these two provinces. Second, in Bangkok, we met with academics and government officials to understand further central policies, gather additional quantitative data not found through electronic sources, and learn more about the central approach to development in the Isan region. Finally, we spent several months during two stints of research fieldwork in Isan in 2013 and 2015, interviewing academics, local government officials, and NGO leaders and

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activists, as well as local farmers and other rural residents. While the results are not definitive and await further testing, this process unearthed new insights – hypotheses about ways to reduce rural poverty.

Part I: Growth & Poverty in Surin and Si-Saket

Surin and Si-Saket are located in Isan, the northeast region of Thailand that borders Cambodia. Between 2000 and 2010, Si-Saket province experienced an average GPP per capita growth rate of 13.4 percent per year (NESDB, n.d.-a) while its poverty rate dropped only a modest amount, from 62.2 percent to 55.9 percent (NESDB, n.d.-b). Meanwhile, the poverty rate in Surin province fell a startling 56.3 percentage points, declining 73.8 percent to 17.5 percent in the same period (NESDB, n.d.-b) despite having a lower (though still heady) average annual growth rate of 10.7 percent (NESDB, n.d.-a). This was despite Surin's higher initial poverty gap – that is, Surin's poor were more severely impoverished as evidenced by the fact that their income levels were even further away from the poverty line compared to Si-Saket's poor.ⁱⁱⁱ Figure 1 displays the divergent poverty patterns experienced by the two provinces, despite parallel growth trajectories. Here, we focus on Surin's case because of its astonishing success. Si-Saket, being the province that experienced the greater disconnect between its rapid rate of GDP growth and its modest degree of poverty reduction, provides a comparison case.

-- Insert Figure 1 about here --

In this paper, we argue that three factors were fundamental to understanding Surin's surprising pace of poverty reduction. First, a strong network of activists in Surin helped to ensure that national policies designed to help poor farmers and other rural residents were implemented locally in a way as to achieve poverty reduction, rather than political patronage, goals. Second, Surin's proactive governor was especially supportive of these policies. Third, at the national level the government both prioritized the rural poor for

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political reasons and allowed for decentralized authority at the provincial governor and *tambon* (sub-district) levels. Together, these allowed local officials in some provinces to implement central-level policies especially vigorously. The combined efforts of policy makers and civil society leaders led to poverty reduction by ensuring that poor farmers and others could take advantage of the growth generated by a number of small-scale productive activities, including organic rice production, handicrafts through the One Tambon One Product (OTOP) program, and local rural-based tourism. These were structured in such a way as to allow the participation of often poorly educated low-income rural residents. Though these kinds of activities tend to generate less economic output as measured by GDP, our research suggests that a higher proportion of the income derived from these initiatives wound up in the pocket of the poor in ways that are described below. To be sure, initiatives such as OTOP and organic rice were implemented in many provinces. Why were they especially effective in reducing poverty in Surin but not elsewhere? As mentioned, it was the province's strong network of civil society and committed local political leaders that ensured that these programs were structured in ways that reduced poverty. In Si-Saket, leaders also pursued these same economic activities – but as we will show below, their efforts not only enjoyed less success but were structured to concentrate the benefits of growth in fewer and wealthier hands. Without the support of Surin's network of embedded civil society, there were fewer mechanisms to spread the benefits of Si-Saket's impressive growth rates to more of the province's poor, and hence Si-Saket's record on poverty was meager, especially when compared to Surin's. See Figure 2 for a graphical statement of this argument.

-- Insert Figure 2 about here --

In this paper, we detail this argument by first reviewing the potential pathways to poverty reduction that emerge from research in a number of disciplines. Second, we set the context for examining the two provinces by detailing Thailand's struggle with rural poverty

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over the past few decades. Third, we analyze the proximate explanations and causal factors that we argue explain this puzzle, and trace the causal connections between these variables.

The final section concludes with some insights useful for understanding the complex relationship between economic growth and poverty reduction.

Part II: Reviewing the Pathways to Poverty Reduction

Research from a variety of disciplines offers a large number of explanations for and potential pathways to poverty reduction. First, a number of scholars focus on economic growth as the prime mover of poverty reduction. These scholars are further divided into a number of camps, including those who prescribe pro-market policies (e.g., Bhagwati 1985; Lal Myint 1995; Dollar Kraay 2002), those who advocate import-substitution as a path to industrialization (e.g., Frank 1969), and those who argue that a developmental state works best for stimulating the type of growth that effectively reduces poverty (e.g., Johnson 1982; Amsden 1996). Second, a large group of scholars are more critical of the pursuit of economic growth (e.g., Streeten 1993), arguing, for instance, that the rapid promotion of development and economic growth actually perpetuates poverty (Escobar 1995), or creates an unsustainable threat to the environment or to the Earth's supply of natural resources (e.g., Meadows et al, 2004). Finally, other scholars seek a middle ground, contending that economic growth is necessary but not sufficient for poverty reduction. Deemphasizing economic growth somewhat in order to focus on human-scale development helps to promote the kind of growth that more directly reduces poverty (Schumacher 1973; Chambers 1987; Max-Neef 1991; Mehtrotra and Jolly 1997).

Focusing on exceptions to the purported relationship between economic growth and poverty reduction allows us to adjudicate some of these debates. It allows us to ask: what besides economic growth has caused poverty rates to decline, as well as what prevents

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economic growth from benefitting the poor? While focusing on exceptions does not undermine the commonly assumed relationship between economic growth and poverty reduction, it can provide evidence that can be used to confirm and extend existing theories, as well as illuminate new pathways to reduce deprivation. Given that Thailand is a unitary state with policy decided at the center, it is especially surprising that outcomes differed so drastically – especially in such similar provinces. This paper shows that local leadership matters, even in countries where central control is thought to be paramount.

This kind of research is best conducted in a country that has experienced at least some, though varying levels of, economic growth and poverty reduction: the presence of both factors allows us to examine and perhaps challenge the relationship between the two, and the varying levels of each factor allow for some illuminating contrasts. For its part, Thailand has had an impressive record of economic growth. According to the World Bank (2014), GDP per capita grew from \$436.6 (2005 dollars) in 1965 to \$3,163.9 in 2010. This economic growth coincided with a dramatic drop in the proportion of the Thai population living below the national poverty line, from 65.3 percent in 1988 to 16.9 percent in 2010. As expected, this poverty reduction has not been experienced uniformly throughout the country. As with many other developing countries, poverty declined most rapidly in the capital and major industrial areas.

Yet, the land-locked rural northeastern region of Thailand, known as Isan, remained quite poor at the turn of the twenty-first century, with 59.5 percent of the population remaining below the national poverty line, calculated using a spatial index that evaluates the cost of a basket of essential food and non-food items (NESDB, n.d.-a). For farmers living in the Isan periphery, economic and political life was traditionally centered on the village, with most of the population practicing subsistence agriculture. The central government and national and international markets were remote and disengaged. As transportation and

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communications improved throughout the kingdom, market relations gradually competed with communal relations and the national government sought more influence over and loyalty from farmers across Isan. Community institutions to safeguard against extreme poverty gradually eroded as increasing numbers of young, able villagers migrated to work in Bangkok, eschewed reciprocal labor arrangements for market-based ones, and sought quick cash from moneylenders instead of village-based group savings schemes (Sheigetomi, 1992). Additionally, the traditional practice of households supplementing nutrition sources with mushrooms and vegetables from communally managed forest areas was gradually threatened by government and private initiatives to grow water-hogging eucalyptus as a cash crop in these areas (Barua 2011, p. 180). Due primarily to Thailand's highly fragmented party and ministerial systems, provincial government leaders did not systematically implement national development plans that proposed bottom-up solutions to these problems (Rigg, 1991).

Thailand's endemic rural poverty created the conditions for a fundamental change in central politics. In 2001, Thaksin Shinawatra's Thai Rak Thai party swept into power in Thailand, thanks to a new set of electoral rules, substantial personal wealth, and a political campaign that mobilized several key demographic groups. Over the next five years, the support of the rural poor became increasingly critical to the expanding power of the Thaksin administration. Not coincidentally, the Thaksin government pursued a variety of policies that were designed to maintain the political support of this group, including a debt moratorium for small holding farmers, the OTOP scheme, the Village Fund, the Health Security for All initiative, the New Entrepreneur Promotion program, and various other poverty reduction projects.^{iv}

These controversial policies did reduce poverty rates in rural Isan. The proportion of the Thai population living in poverty (based on expenditure) declined from 42.6 percent in

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2000 to 16.9 percent in 2010. The proportion of Thais living in poverty in Isan declined from 59.5 percent to 26 percent in the same period (NESDB, n.d.-a). Part of this reduction could be attributed to economic growth: Thailand's GDP grew by an average of 5.7 percent per year, while the corresponding Gross Regional Product of Isan grew by an average of 4.2 percent per year during this period (World Bank, 2012; NESDB, n.d.-b). Yet this reduction did not occur uniformly across northeastern Thailand. Over this period, two provinces experienced markedly different poverty reduction outcomes despite quite similar economic growth rates, as we noted above.

Part III: Scaling up the small-scale: Surin's micro-oriented projects

What explains the different rates of poverty reduction in the two neighboring provinces (Surin and Si-Saket)? Unfortunately, we lack disaggregated data that would reveal accurately the specific sources of these wages and profits. However, it appears that much of the income growth in Surin was achieved by means of two changes in agriculture. First, Surin diversified out of agriculture to a greater extent than did Si-Saket (see tables 1 and 2), as farmers shifted from subsistence agriculture to more substantial opportunities. Second, as we detail below, many farmers shifted from basic rice production to growing organic rice.

Surin was also able to grow faster in two labor-intensive non-agriculture sectors: retail trade (Surin grew by 50 percent between 2000 and 2009 compared to 23 percent in Si-Saket) and manufacturing (Surin grew by 53 percent compared to 33 percent in Si-Saket).

Within manufacturing, two industries – manufacturing of textiles and manufacturing of food products and beverages – dominated the sector in both provinces. These two sectors can help reduce rural poverty because they are both labor-intensive, and also add value to rural products, such as silk and food. By 2006, in addition to having far more textile firms (16,250 in Surin compared to 5,888 in Si-Saket) and generating more revenue per food

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processing firm (an average of 913,150 Baht in gross output per firm in Surin compared with 663,143 Baht in Si-Saket), Surin's smaller-scale firms produced much more gross output than Si-Saket's. The vast majority (99.7 percent) of all firms in Surin had 25 or fewer employees, and such firms were responsible for 75 percent of the province's total output. Si-Saket's small firms (25 employees or less) were similarly dominant, representing 98.9 percent of all firms, yet they produced only 49.3 percent of the province's total output. Meanwhile, while Surin's larger firms (50 employees or more) represented only 0.07 percent of all firms (18 in total), and produced only 7.5 percent of gross output from manufacturing, Si-Saket's large firms (a total of 35) produced 33.3 percent of total output. Given that Surin's gross output from manufacturing was 43 percent higher than Si-Saket's (7.47 billion Baht vs. 5.54 billion Baht), and Surin's small firms were responsible for two-thirds of that output, Surin's small firms produced much more than Si-Saket's - indeed, Surin's small firms produced more than Si-Saket's total gross output from all firms combined (National Statistics Office, n.d.-c; National Statistics Office, n.d.-d) So according to this macro-level data, Surin's wholesale and retail trade sector grew faster than Si-Saket's; Surin's much larger manufacturing industry also grew faster; two labor-intensive industries - textiles and food processing - dominated manufacturing; and Surin's small-scale industries were responsible for most of its non-agricultural production.

This paper analyzes more closely three small-scale, low-tech industries: cooperative organic rice production, One Tambon One Product (OTOP), and rural tourism. These augmented agricultural incomes and grew non-agricultural income sources within Surin's rural economy. Below, we trace the processes that have allowed these three economic activities to benefit poorer farmers in Surin.

-- Insert Tables 1 and 2 about here --

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1) *Organic Rice Production*

Rice production has long been the chief agricultural activity in Thailand. With a substantial land frontier lasting up until the 1970s, families were able to move and establish their own rice farms with relative ease (Baker & Phongpaichit, 2014, p. 159; Ingram, 1955, p. 79). As better rural infrastructure improved channels to national and export markets, small-scale farmers started adopting new farming practices including the use of chemical fertilizers and pesticides. Because of the capital requirements involved in this new method of farming, small-scale farmers frequently resort to formal and informal credit markets to secure the money required to purchase seeds and chemicals. In addition, because agricultural commodity prices change rapidly, farmers have been compelled to borrow money to finance these investments. Many have argued that ensuring access to sufficient credit reduces poverty among small, poor farmers in developing countries in general, as well as in Thailand specifically (e.g., Braverman 1986; Menkhoff and Rungruxsirivorn 2011). Formal banks and even government-provided programs often consider it prohibitively expensive to assess the credit and lend to widely flung smallholder farmers. Collection is expensive, and these entities often lack the kind of social capital needed to ensure repayment. Repaying these loans can prove difficult. A bad crop year, floods, or declining global prices can cause a farmer to become hopelessly indebted, particularly when farmers only have access to informal moneylenders who charge extremely high interest rates (Aleem 1993). As farmland is often used to secure these debts, indebted farmers face losing their land – their main source of livelihood – due to circumstances over which they often have little control.

For many Thai farmers, shifting to organic farming presents an opportunity to break this vicious cycle. Because effective organic farming requires farmers to employ natural agricultural processes in order to ensure the ground is fertile and free of pests, farmers do

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not have to make the same scale of investments at the start of each growing season ("Freedom Farmers Rediscover Food Security," 2005). Organic farming allows agriculturalists to shift what had been subsistence grain production into a cash crop – one with high international demand yet low cost in terms of inputs. Organic farming upgrades production, even as it leverages farmers' experience with traditional agricultural practices. Smallholder farmers almost invariably need help from larger actors such as business, government or societal groups that can provide links to overseas markets. On the whole, organic agriculture has been shown to be an effective way to reduce poverty in rural regions (Raynolds 2004), and even if they do not shift wholly to organic production, it can still be profitable for farmers to apply organic farming techniques (Bolwig et al 2009).

As a result, organic rice became a popular alternative in Surin province (See Table 3). While production of organic jasmine rice increased in many rural provinces in Isan during this period, the results in Surin province have been astounding. According to data from the Ministry of Commerce's Organic Marketing Intelligence Center (n.d.), Surin province accounts for two-thirds of all Isan farmers engaged in cultivating 'Hom Mali' certified organic rice (by far the most common form of Thai rice). The province also accounts for half of the total area planted and just over half the total production area in the region. Si-saket, by comparison, has less than half of a percent of farmers and area planted in the region –and just over three percent of regional production. With so many producers directly engaged in organic farming and more employed in supporting industries including food processing, this represents a major boon to smallholder farmers in the province.

-- Insert Table 3 about here --

Surin producers been able to increase their production of more lucrative organic rice, and even managed to develop an internationally recognized brand. This required overcoming collective action problems associated with developing strong quality control

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mechanisms and achieving sufficient quality. Raynolds (2004) argues that organic production methods and standards certification can be very burdensome for rural farmers with limited formal education and small, dispersed holdings –particularly in the tropics where the know-how of international NGO networks may be limited. Through producers' efforts, Surin Hom Mali Organic Jasmine Rice has emerged as a globally known brand of quality organic rice, with over 400 tons exported in 2006. A 2006 Asian Development Bank study found that certified organic farmers in Surin, Ubonrachathani, and Yasathorn provinces sold their rice at nearly double the price of conventional rice producers (Setboonsarng, et. al., 2006). Other studies have found similar premiums associated with certified organic production (Morawetz et. al., 2007), particularly for farms involved in the Fair Trade Network (Becchetti, et. al., 2012).

Many farmers in Si-Saket have also moved into organic farming; though the province's organic output is significantly lower than that of Surin province, it is still one of Thailand's top producers of organic rice. Unlike Surin, however, there is little certified organic production, despite a larger overall agricultural sector. The director of one NGO in Si-Saket indicated that some communities have local markets for 'green' agriculture but these are unconnected, feature no systematic certification process, and tend to be for local consumption (Interview 46). To the extent that large-scale organic production does occur in Si-Saket, it is undertaken by members of the Santi Asoke religious group. This Buddhist sect maintains the entire value chain, from fertilizer to cultivation to milling to packaging to sales. The group is not market oriented and uses (uncertified) organic production methods because they are in line with their beliefs rather than to gain the market premium associated with organic agriculture (Lorlowhakarn, et al. 2008; Ellis, et. al. 2006; Kaufman 2012). Thus, although comparative analyses of organic agriculture in Thailand often make note of the Asoke group in Si-Saket (Patrawart, 2009; Ellis, et. al., 2006; Chamontri 2009), its impact on

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local poverty is largely limited to members of the religious group, and even that impact is muted.

2) *One Tambon One Product*

Second, Surin did especially well in one central government initiative intended to spark local handicrafts and provide alternative incomes for low-income farmers. OTOP is a micro-development initiative implemented by the Thai national government, based on the Japanese One Village One Product scheme. Under this policy, local producers can register their products with a government agency. Each OTOP producer is rated anywhere between one and five stars depending on product marketability, production capacity, and potential for creating spillovers within the local economy. Importantly, to achieve a high rating, producers must demonstrate their distinct provincial identity, use of indigenous knowledge and local wisdom, use of local raw materials and labor, contribution to knowledge transformation and diffusion in the community, and commitment to preserving local culture and traditions. Each of these can potentially reduce poverty.

The highest rated producers are rewarded with product promotion, grants, loans, and assistance facilitating export. As of 2008 over 1.3 million members and employees nationwide worked in 37,840 OTOP producers, with many enjoying increases in household income. About two-thirds of all OTOP producers were community-based enterprises, according to 2010 statistics (Natsuda et al., 2012, p. 376). A number of complementary government-organized micro-credit financing programs, including the Village Development Fund, the People's Bank Program, and the Bank for Small and Medium Sized Enterprises, were established around the same time, increasing farmers' access to credit and reducing financial constraints more effectively than formal financial institutions (Menkhoff and Rungruxsirivorn 2011, Kaboski et al 2012), that could be used to get their OTOP ventures started.

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The program has the potential to help farmers in many ways. First, subsistence farmers can supplement their incomes by engaging in production piecemeal for an existing producer or cooperative. These activities, which can be done during the agriculture off-season, help to employ surplus labor. Second, enterprising individuals or families are able to establish their own operations locally, an alternative to the costly and risky step of moving to the city in search of opportunity. This leads to more direct benefits to the local economy, as well as less social dislocation in the community and the preservation of village institutions geared towards helping the poor. Third, relatedly, these local institutions facilitate the development of social capital as producers share techniques, marketing strategies, and resources. Since the bulk of the OTOP products were at least in part developed from traditional practices and techniques, the program has the potential to benefit segments of society who would otherwise be unable to benefit from the market economy.

On the other hand, critics underscore a number of flaws in the OTOP program. One common criticism has been that the government did not effectively target the poor with these efforts. Indeed, few amongst the poorest in Thai society - the severely disabled for instance - would be in a position to start such an entrepreneurial venture. Many cases have been identified where already successful businesses made use of OTOP resources, watering down the program's impact on poverty reduction (Phadungkiati 2010, p.51). Some critics suggest that the Thaksin administration did not better target the poor, either because the prime minister was more interested in keeping the rural poor politically dependent on his party or because he was more concerned about using the program as a part of a fiscal stimulus designed to help the country to recover from the East Asian Economic Crisis. Second and related, the successes of early movers were undermined as other entrepreneurs

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and villagers mimicked their strategies and products, leading to an oversupply of some products and a decline in their market value (Natsuda, et al. 2012 p.375).

In spite of these studies, the impact of the OTOP program has been insufficiently researched. Most studies of OTOP have either examined a few districts or sub-districts in great detail or made generalizations based on aggregate patterns across the country. There were some exceptions. Kurokawa et. al.'s (2010) survey of two provinces found that majorities in both evaluated the effectiveness of OTOP positively, but that support in the poorer of the two provinces was even higher, reaching 75 percent. A review of Chiang Mai's OTOP producers conducted by Natsuda et. al. (2011) found that OTOP was helpful for community-based enterprises to establish themselves and for providing opportunities for vulnerable segments of the population, such as older workers. Although Tangpianpant (2010) noted that OTOP was associated with improving employment, using local materials and knowledge, and curbing out-migration from rural areas, she argued that the program generally favored existing successful producers and failed to target sufficiently or support the poorest in these areas. This left many poorly rated OTOP producers (those that received only one or two stars) with debt when their products did not succeed (Tangpianpant 2010). One academic we interviewed in Bangkok - a specialist in Thailand's development - cited these reasons in dismissing the significance of the program (Interview 9).

Thus, the literature reveals mixed assessments about the effectiveness of OTOP. On the one hand, in many case studies of one or a few *tambons*, OTOP seems to have helped the poor and been viewed favorably by participants. On the other, ineffective implementation undermines the potential benefits of OTOP. To date, there has been little systematic, comparative analysis of varying success rates of OTOP production across provinces. The research on OTOP so far suggests different levels of success across provinces. This indicates that some local factor, such as organizing capabilities from provincial governments or civil

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society to implement and support OTOP producers, is needed to explain the variation in the degree of success of this central policy initiative across Thailand's provinces (Kurokawa, Tembo, & Willem, 2010). As noted above, a successful project under the OTOP ranking system is one that makes intensive use of local capabilities, content, and traditional knowledge.

Surin province has done remarkably well in upgrading their OTOP production activities. It has had the second largest number of the highest, five star ranking products in the country. It is not only the highest in Isan, but also the highest outside of the Bangkok area. Surin has had at least double (and most years more than triple) the number of five star ranked products compared to that of neighboring Si-Saket. It also has substantially more 4-star products. (See Table 4 for the distribution of OTOP producers for the two provinces). Additionally, OTOP producers in Surin have been successful in selling their goods to consumers in Europe, the United States, and Japan.

-- Insert Table 4 about here --

One OTOP producer we visited in Khwao Sinarin district, Surin, during our fieldwork produced silver jewelry. This producer both purchases pure silver craft jewelry from several dozen villagers and hires locals to produce jewelry using traditional production methods and designs (Interview 8). Because the producer was able to demonstrate quality, capacity, and the utilization of local materials and contents, its products received a high OTOP rating and were eligible for local government help in marketing and making connections with buyers outside the province and overseas. This district served as a hub for OTOP in the province. Just under one-third of all of Surin's OTOP producers and just over a third of the total OTOP sales revenues were located in this district. Silver and Thai silk producers are, in particular, well represented. There are several local outlets for marketing silver, including OTOP shops, tourism sites in Surin, as well as

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markets along the Cambodian border. Agents, attracted by the concentration of small-scale producers, also come in to the village directly to purchase in bulk to sell within Thailand or for export. Finally, tourists from Thailand and abroad attend exhibitions and festivals that occur periodically throughout the province in order to market OTOP handicrafts. The provincial government helps to organize the Thai Silk Festival in Khwao Sinarin district. The festival promotes the popular Mon-Khmer style silk and silver products, such as via cultural dances and fashion shows highlighting the high-quality OTOP products based upon ancient jewelry designs (Serireongrith 2014). A similar example is the annual Surin Elephant Roundup Festival, during which visitors travel to Surin for a variety of events centered on the community's close relationship with elephants. OTOP producers from all over the province travel to the fair to market their wares. To extend the reach beyond the local market, the locals rely on outside agents – including commercial agents, local Community Development Department (CDD) officials and non-government agencies – to tie them to the international market.

A similar story could be told with other types of OTOP products. We visited single villages or sets of villages that were organized into small groups engaged in producing products ranging from carved wooden furniture to hand-woven plastic bags, from silk to woven baskets. Because villagers produce handicrafts in the local area, they remained engaged in the community, reducing brain drain and diversifying the local economy. Villagers pursued these productive activities while continuing to farm, diversifying their own income.

As with the organic rice, the OTOP explanation is satisfying only in accounting for some of the alternative sources of income for Surin's poor. There were opportunities for people in Surin to supplement their agricultural incomes with per-piece work in the off-season as small-scale entrepreneurs or craft workers. Below, we argue that the success of

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OTOP in Surin is linked to locally embedded civil society and social capital, as well as the unusual commitment of local government leaders.

By contrast, producers in Si-Saket have not been as successful. Although data on OTOP revenues for the entire period under investigation proved elusive, it is clear that in recent years the bulk of Si-Saket's OTOP revenue comes from the top four or five producers, with a much larger portion of producers earning very little and achieving only one or two stars (Community Development Department, n.d.). By 2012, the top five OTOP producers generated just under 70 percent of the total OTOP revenue for the province and Si-Saket's median OTOP producer generated 109,750 Baht in revenue (the lowest in the country). In Surin, by comparison, the top five producers generated 32 percent of total revenue while the median producer in that province generated 384,000 Baht. Thus, OTOP in Si-Saket seems to follow some of the patterns observed for the program more generally, that a few already established producers benefited greatly while the groups of small producers that were the original target of the program largely floundered.

3) Rural-based tourism

Rural based tourism is another area in which Surin excels in funneling a higher proportion of the benefits to the rural poor. Tourism, an industry responsible for five percent of global GDP and responsible for about one in every 12 jobs worldwide (UNWTO 2015), is often lauded for its potential to reduce poverty in rural areas such as Isan. Proponents argue rural-based tourism is the most labor-intensive industry outside of agriculture, and one that often provides opportunities for the participation of poorly educated low-income people (e.g., UNWTO 2002). Local, rural-based tourism jobs can employ farmers during the off-season, and provide employment that does not require travel or migration to the cities. For its part, Thailand has benefitted greatly from tourism. International tourism to Thailand in 2013 ranked tenth in the world in popularity (27 million

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tourist arrivals, representing 23 percent growth) and seventh in tourism receipts (US\$42 billion) (UNWTO 2014). While much of this tourism flows to Bangkok and beaches in the south, some of it is in rural areas, such as in Isan.

Despite its potential, the actual link between rural tourism and poverty reduction depends on the manner in which the industry is structured. While many argue that tourism is a labor-intensive, cost-effective way of reducing poverty, others counter that the industry is instead a capital-intensive one (e.g., Tisdell 1998). Whether it benefits the poor or not depends in large part on whether it is structured to include or exclude the participation of the poor (e.g., Tisdell 2001; Mowforth and Munt 2003). Some tourist spots are designed specifically to include the poor, for instance by employing poor rural residents, promoting their handicrafts and services, encouraging the development of local small businesses, and consciously purchasing agricultural products from local farmers. Others intentionally exclude the poor through, for instance, fencing them out, changing ticket prices or licensing fees, and enforcing ordinances that prevent poor people from 'harassing' tourists. Still other areas are more neutral, neither encouraging nor discouraging the poor from participating. The type of structure that each area adopts shapes the way that the poor interact with the industry, and determines whether they benefit from its development.

Surin province has been quite effective in developing attractions and events that bring in Thai and international tourists. Moreover, much is done to ensure that these visitors' consumption patterns benefit the rural residents of Surin and strengthen local communities. For example, as noted above, each November, Surin hosts an internationally recognized elephant festival, featuring a traditional elephant round-up, battle reenactments, and games. Visitors are encouraged to take advantage of eco-friendly tourist activities, stay in village homestays, and purchase locally sourced OTOP and other products. Additionally, the local government and NGOs have worked together to further leverage the tourist influx

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associated with the round-up in order to help ethnically Suay mahouts, whose traditional skill at caring for elephants is no longer in demand. The Surin Project was developed to provide sanctuary for elephants when their owners cannot find work and training for mahouts to explore new opportunities in eco-tourism. As a result, tourist dollars are channeled into numerous homestay options rather than large capital-intensive resorts.

Other Surin festivals and events have been structured to benefit local communities. In addition to the Elephant Festival mentioned above, the Organic Hom Mali Day and Silk Fabric Festival, the Surin International Folklore Festival, and more recently the Khong Dee Muang Surin Festival each highlight and reinforce local culture and traditions and offer local small producers the chance to market their goods. The Green Market, a weekly open market for organic farmers and OTOP producers to sell their goods is also a regular draw for tourists, whether in the area for one of the many festivals or passing through on their way to Cambodia.

Si-Saket also boasts many visitors, but these are mainly tourists headed through the province to get to the popular Angkor Wat temple in neighboring Siem Reap, Cambodia or the Preah Vihear Temple on the border. Although there are festivals in the province, they have not captured the national and international tourist market in the same way that Surin's have. The provincial administration has promoted the *Dok Lamduan Ban* festival to highlight the natural beauty of the region and its people and sell local goods, though it has been much smaller in scale than the festivals of Surin.

Thus, we would expect tourists in Si-Saket to mainly pass through the province, and not spend much time or money there. In Surin, by contrast, we would expect to see possibly fewer visitors, but that they would be staying longer to enjoy the tourist attractions within the province. The statistics - which distinguish between visitors who do not stay the night and tourists who stay at least over night - reflect these patterns. On the surface, tourism in

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Si-Saket seems robust – nearly as robust as in Surin. In 2006, the Thai National Statistics Office reported 712,515 visitors to Si-Saket, just under Surin's number of 784,694. The number of visitors to Si-Saket (881,218) grew to exceed the number of visitors in Surin (809,608) by 2010. While Surin's visitors increased to 892,860 in 2011, Si-Saket's number soared to over one million (1,066,129). Thus, superficially at least Si-Saket's tourism seems more popular than Surin's. Indeed, Si-Saket saw a much greater rate of economic growth in the category of "hotels and restaurants" (which captures only some of the economic value of tourism) compared to Surin between 2000-2009 (NESDB, n.d.-b).

However, the two provinces differ greatly when the number of visitors is broken down between number of tourists (those who stay in the province) and excursionists (those who pass through without staying). Given the province's reputation as a through point for Angkor Wat, we would expect a higher proportion of visitors to Si-Saket were excursionists, compared to Surin with its relatively greater variety and more notable tourism sites. Indeed, more than about 70 percent of Surin's visitors were tourists, compared to just approximately 37 percent of Si-Saket's. In 2011, when Si-Saket's visitors topped one million, it recorded only 393,695 tourists, 59 percent lower than Surin's 624,321 tourists. As expected, visitors and tourists to Surin also spend more each day than those who visit Si-Saket. Surin visitors in 2011 spent an average of 809 Baht per day while tourists spent 860 Baht per day, some 17-18 percent higher than Si-Saket's average of 684 Baht per day for visitors and 735 Baht per day for tourists. Consequentially, despite Si-Saket's higher visitor numbers, Surin's tourism receipts exceed those of Si-Saket by 10 percent in 2009 (818 million Baht versus 746 million Baht), and 34 percent in 2011 (1.58 billion Baht versus 1.145 billion Baht).

More importantly, Surin's tourism industry is better structured to benefit rural residents. Unlike Si-Saket, Surin boasts of several tourism sites in a number of rural areas. These areas are more easily accessible for farmers seeking to sell products to tourists, and

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farmers nearby benefit from tourism through the purchase of food and other farm products.

While these sites are small in scale and do not provide many opportunities for long-term employment, formal and informal ad hoc functions can be performed by local residents who can supplement their incomes from farming. Moreover, the various festivals, such as the elephant festival, are major draws and provide periodic opportunities for farmers and other rural residents to supplement their incomes. While these volumes are modest per farmer, they are significant in proportion to their overall incomes, and provide a diversity of income sources. Moreover, rural tourism is linked to the sales of OTOP products, which, as argued above, has proved an important source of income for farmers.

Si-Saket's tourism though boasting a higher GDP and growth rate in hotels and restaurants, is also not structured to benefit local residents to the same extent as Surin's. Most visitors do not stay long in the province, and those that do stay spend less. In terms of the industry's structure, moreover, Si-Saket's industry is less beneficial for rural residents.

Part IV: Civil Society and Social Capital as a catalyst and intervening variable in Surin

Province

Thus, the greater success that Surin's farmers had in moving into higher profit organic agriculture and related industries, combined with their greater ability to participate in OTOP and rural tourism projects, helped to increase the incomes of low-income farmers in Surin province. Yet these proximate-factor explanations raise related questions. Farmers in Si-Saket and elsewhere in Isan also moved into organic rice production, yet they failed to achieve the successes that Surin has experienced. Similarly, Si-Saket, as well as other Isan provinces, implemented OTOP and promoted rural tourism. Why was Surin province more successful than not only its neighbors in Isan, but also nearly every province in Thailand?

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Despite the many similarities between Surin and Si-Saket, for a variety of historical reasons, the two provinces have followed divergent paths of institutional development at the local and provincial levels. Of the divergent features, one prominently stands out. Over the last twenty years, Surin has developed a vibrant civil society that interacted dynamically with the provincial government to help micro-developmental initiatives succeed by facilitating collective action among farmers and entrepreneurs.

Although the formal political institutional structures in Thailand actively suppressed rural mobilization prior to the 1980s, traditions of community activism at the village and sub district levels persisted. Local institution, such as rice banks, buffalo banks, savings groups, cooperative shops, and community forests and irrigation groups were established to facilitate village members' pooling of resources to protect themselves from the insecurities of weather and market. These structures spread throughout the country in the 1980s as the central government made rural development a higher priority. Additionally, farmers established systems of cooperative labor exchange in order to adjust to seasonal shortages of labor (Parnwell, 2007; Shigetomi, 1992). Animist and Buddhist beliefs about collective membership in the village community, in turn, reinforced these institutions of collective action (Shigetomi, 1992). As frontier land diminished in the 1960s and 70s and labor markets emerged, the use of traditional forms of cooperative labor declined.

In the 1970s, many of Thailand's university students travelled upcountry to conduct experiential fieldwork on the living conditions of rural Thais. A number of these students were strongly affected by these experiences and subsequently developed and advocated a 'community culture' development path that would influence the work of civil society activists throughout the country (Hewison, 1993), and especially in Surin. The 1976 massacre at Thammasat University and subsequent crackdowns by the Thanin government further drove large numbers of these communitarian-minded students to take refuge with the

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Communist Party of Thailand in remote jungle areas. The Cambodian border near Surin and Si-Saket became one of the key areas for these groups (Girling, 1985; Keyes, 1995). Even after the government granted an amnesty in the 1980s, many of these former student leaders remained upcountry and initiated locally oriented development projects (Parnwell, 2007; Phatharathananunt, 2002). Around the same time, large numbers of refugees from Cambodia fled to Surin, where international and non-government organizations placed them into organized camps. The area became a hub for local and international NGOs providing services for the refugees. Many of these NGOs also provided services to locals and continued operating after the camps were closed down (Shigetomi, 2009).

This combination of committed, locally embedded leaders with substantial experience and networks of local, national, and international contacts resulted in a vibrant civil society throughout Surin province. Not only did these activists establish and manage local initiatives to fight poverty and foster community solidarity, some were influential in the evolution of the 'community culture' neolocalist movement. Even in a region characterized by NGO activism, Surin's rich networks of NGOs were remarkable. As one scholar concluded, "compared with other provinces, Surin had ample NGO resources," (Shigetomi, 2009, p. 66). One NGO director in Si-Saket put it even more emphatically, remarking that Surin became the "NGO capital of Isan" (Interview 14).

Political events in the early 1990s caused NGOs to become even more closely networked in Surin. In 1990, the military instituted Khor Jor Kor, a forestry program designed to reorganize land use in the country's national forest reserves. The policy, which would have displaced thousands of families to make room for commercial plantations, garnered widespread opposition among people in Isan and motivated communitarian NGOs to mobilize and coordinate their activities to protect farmers' interests. A civil disobedience campaign emerged and grew steadily until mass demonstrations led to the

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cancellation of the program in 1992. This campaign coincided with protests to eject General Suchinda from the premiership in 1992 (Shigetomi, 2009). Both had a lasting impact on this network of rural community activists.

In Surin, a senior activist created the Surin Forum as a space for members of civil society - including NGO staff, farmers, teachers and even business people - to meet and exchange ideas about public issues (Shigetomi, 2009, p. 66). Over the course of the 1990s, this group of professionals and activists gradually formed a semi-formal network that often worked directly with government and international institutions to promote community development in Surin. Its capacity improved gradually as it developed administrative capabilities and a professional staff. Table 5 lists some of the agencies contracting with the Surin Forum around 2001 and the projects they implemented.

-- Insert Table 5 about here --

The civil society organizations in Surin worked together exchanging ideas and information, undertaking research, and providing training for development initiatives (Shigetomi 2009, p. 66). This remarkably dense, well-organized network helped facilitate the successful utilization of central government micro-development initiatives. Programs like OTOP thrived in this environment, especially in improving the poor's accessibility to finance. Additionally, this enabled networking organizations to work closely with the local government to intervene on behalf of vulnerable members of the community in the event of natural disasters and other crises. For example the Surin Forum established a committee made up of local community leaders to discuss water resource use and manage floods (Shigetomi 2009).

While interview and archival research revealed the clear importance of local community organizations to the micro development projects in Surin, the information from Si-Saket reveals much by omission. That is, where information is available, it points to

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programs pursued in earnest by the local government but without the cooperation of a dense network of community organizations.

Organic Rice and Local Civil Society

The tremendous success experienced by Surin in growing, processing, certifying, and marketing organic agriculture depended greatly upon leadership, ideology, and engagement. The groups that had formed in the 1980s helped encourage and facilitate the shift to growing organic rice in a number of key ways. First, they provided important training and education. Smallholder farmers began exploring the possibility of transitioning to organic agriculture in the early 1990s. Concerned about illness related to pesticides, fluctuating market prices, and indebtedness, farmers in Surin formed the Natural Agriculture Group (NAG) in 1992, with the assistance of NGOs like Surin Farmer Support (SFS). These organizations help farmers to identify and begin to disseminate a set of best practices for organic farming. Over the next 20 years a wide array of nongovernmental organizations developed to assist smallholder farmers engaged in organic agriculture. Organizations such as SFS and the Organic Rice Fund in Surin trained farmers in the use of organic farming processes and organic fertilizers (Woranoot, 2009).

Second, these organizations worked to reduce imbalances that emerge when smallholder farmers interact with larger and more powerful networks of market actors. For instance, distributional conflicts between distributors, processors, middlemen, and farmers have the potential to develop between upstream and downstream segments of the agricultural supply chain. For example, conflicts between sugar cane producers and millers over the costs of resolving bottlenecks and the equitable distribution of profits presented a major challenge to that sector throughout the 1980s (Doner, 2009). Many rice farmers had substantial experience with a middleman system which limited the agency of farmers (Sukpanich, 2003). The NAG was established specifically to counter the power that traders

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and mill owners had over the prices paid to farmers (Chamontri, 2009, p. 32). Many collective organic farmers groups in Surin, such as the NAG, the Prasart Cooperative, and Bua Kok organic Hom Mali rice producer, helped to overcome upstream-downstream conflicts by purchasing and operating their own mills (Chamontri, 2009, p. 32-33).

Third, this dense network of NGOs helped connect smallholder farmers to the international market. For instance, they have reached out to international NGOs to market their organic products, which helped them sell Fair Trade rice to Europe and the United States' ("Freedom Farmers Rediscover Food Security," 2005). These organizations also helped farmers comply with the standards certification bodies such as the Organic Agriculture Certification of Thailand and the Surin Province Organic Certification. NGO leaders suggested that this training was especially important because compliance with strict international certification auditing procedures is particularly onerous for farmers with little formal education (Interview 30).

These efforts began attracting official support. As early as 2000, Surin provincial governor Kasemsak Sanpote made it clear that the facilitation of Surin organic Rice was among his top priorities. He stressed the important role of local civil society in fostering the development of organic agriculture, "The work has been established on a large scale... There are quite a number of persons in Surin who are highly respected for their long advocacy of alternative and organic farming. Some have networks in foreign countries where they sell their produce. The farmers only need the knowledge and the belief." (Sukpanich, 2003). Indeed, prior to becoming governor, Mr. Kasemsak had been influenced by 'local wisdom' leader and integrated farming advocate Maha Yoo Soonthornchai, as well as integrated farming community organizer Eiad Depoon (Interview 19, 25).

Kasemsak's championing of the organic agriculture cause brought official state recognition and support to the dense network of civil society organizations. Provincial

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agencies helped to coordinate the activities of organized civil society. These, in turn, were especially proactive. Even as local NGOs developed a training curriculum based on Thai and international experience, the provincial government helped secure funds to build capacity and provided training centers at local schools. Meanwhile, local 'development monks,' led by Surin's Abbot Nan, spread word about the moral and material benefits of the practices and helped secure additional training at local temples (Interview 19, 25).^v His efforts also reinforced many of the NGO's initiatives, including helping them extend their reach into the international market place. For instance, the governor held brand-marketing workshops to gather ideas from operators of rice mills, agriculture cooperatives, farmers groups, and related state bodies ("Thailand: Surin to hold workshop on Surin Hom Mali rice brand marketing" 2005). PM Thaksin lauded the scale of the provincial administration's efforts, noting, "Surin provincial authorities taught 34,000 farmers about organic farming with a budget of over 10 million Baht from Tambon administration organizations" ("Pilot project tapping into growing market" 2001).

In this way, Governor Kasemsak was able to serve as the bridge between the locally led development approach that had flourished among civil society groups in Surin and the national government. Moreover, Kasemsek also worked directly with NGOs, sitting on the board, for example, of Surin Net Foundation, one of the largest community development NGOs in the province (interview 19, 25, 33). Two key initiatives sourced from Bangkok during this period helped to undergird and support Kasemsek's policies, making his bridging especially successful during this period. First, Thaksin's center-led policies specifically targeted the rural poor, so the groundwork of capacity building established by the network of NGOs made fertile ground for many national policies. Second, the central bureaucracy had, by this time, embraced the rhetoric, if not the substance, of the Sufficiency Economy Philosophy (SEP) articulated by the long-sitting Thai King, Bhumibol Adulyadej in

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the midst of the 1997 economic crisis (Pasuk 2005). Though scholars debate whether this philosophy is best thought of as an elite myth (Dayley, 2011), a primer to "indigenize capitalism among broad social groups" (Unger, 2009, p. 147), or a middle path "in developing the economy to keep up with the world in the era of globalization," (Baker, 2007, p. xv), it is clear that the SEP discourse was widely used among the government bureaucracy during and after PM Thaksin. Regardless of whether SEP is substantial or not, micro-oriented programs like organic agriculture and OTOP could be easily justified on the basis of the SEP philosophy.

Civil society in Si-Saket, by comparison, remained fragmented and had little connection with the development of organic rice in the province. Though many local organizations exist at the village and municipality level in Si-Saket, we found no province-wide organizations that coordinated activities and provided organic certification training and capacity building to farmers. No community organizers or academics that we interviewed in the region could identify any NGOs performing these functions (e.g., interviews 15, 21, 33, 39). Santi Asoke does provide some training in working without pesticides and chemical fertilizers and manages the value-chain for those that choose to produce for their network, including rice mills. Yet, because the organization does not seek to profit from their operations and so do not seek to certify or sell to global markets, Santi Asoke has limited impact (Kaufman and Mock, 2014; Chamontri, 2009, p.33). Governor Thanom Songserm did attempt to promote organic agriculture in the province in 2003 (Dayley, 2011), but his efforts proved short-lived since he served less than two years in office.

OTOP and Local NGOs

A similar dynamic occurred with OTOP, a program that was designed specifically to leverage local capacities and traditional knowledge while strengthening community and

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fighting outward migration. With a dense network of community organizations to draw upon, Surin provincial administrators implementing OTOP were able to organize activities and promote products that reinforced each other. For example, Surin officials worked closely with community organizations to develop local tourism during the annual Elephant Festival in such a way as to highlight and promote local OTOP producers. They have since gone further to develop and promote eco-tourism and home-stay destinations that spread tourism to local communities in more remote areas of the province. In many ways, local NGOs supported OTOP initiatives only indirectly by aggressively promoting local capacity and 'local wisdom,' thereby improving the capacity of local producers who then made the most of government OTOP programs themselves. Indeed, many organizers were ambivalent about the successes of OTOP because of the commodification of local culture they represented (Interview 25, 33).

While in Surin province, we visited a number of OTOP establishments – small-scale, family-based groups producing local products, such as silver jewelry, furniture, decorative wooden containers, and other such products. While many such enterprises fail, the statistics and the evidence from fieldwork both reveal that Surin has enjoyed an unusual level of success. This was due in part to the provincial government's efforts to expand markets for OTOP handicraft producers, both marketing locally for tourists, as well as throughout the country and overseas. Thus, in the case of OTOP as well, it was clear that the social organization and the local political support were both crucial.

OTOP production in Si-Saket seems more consistent with the national pattern. By 2012 we see a few very profitable producers and a great many small producers that fail to surpass the 1-2 star range (calculated based on data from Community Development Department, n.d.). As with organic agriculture, interviews and archival research revealed no strong network of organizations in the province (e.g., interviews 15, 21, 26, 33, 39, 49). This

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suggests that while there may be a pool of local knowledge at the village level, it has not benefited from the coordinative capacities that such a network could bring.

Tourism and Civil Society

The provincial government and civil society targeted local tourism as a way to help the local community. As mentioned above, the Surin Forum and farmers collectives have worked to bring the Green Market and the Organic Hom Mali Day and Silk Fabric Festival to showcase their members' products. Likewise, the Silk Festival, the Khong Dee Muang Surin Festival, and the Surin International Folklore festival not only offer a channel to sell local wares, but to celebrate and reinforce communal bonds. The Surin Forum and the Elephant Nature Foundation's work with the provincial government to help vulnerable minorities in the province get the most out of the influx of tourism are prime examples of this. Governor Kasemsak also played an important role in identifying key local sites in the province he thought could be effectively developed. In 2010, the Thailand Tourism Council gave him an award for his "significant contributions to the development and management of regional tourist attractions" (Tourism Council of Thailand, 2010). One could easily imagine an alternative structure of tourism, where a capital-intensive elephant theme park and resort with a centralized structure channels profits to already affluent investors and shuts out low-income local residents. Community organizations and NGOs are active partners in not only providing the traditional content for many of the events, but also the deep connections that ensure that the income from tourism are spread more widely. As with OTOP, some of the local NGOs that improved the capacity of tourism sites by promoting 'local wisdom,' were also ambivalent about the successes in tourism because of the resulting commodification of culture and increasing market orientation of those involved (Interview 25, 33).

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Conclusion

What explains poverty reduction that occurs at a pace that cannot be fully accounted for by economic growth? By comparing two similar provinces in Thailand that experienced comparable rates of GDP-measured economic growth, but that have enjoyed significantly different degrees of poverty reduction, we have been able to identify through an inductive process the kinds of economic activity and socio-political factors that seem to explain the poverty reduction differences. Surin, our evidence suggests, has traversed a path toward poverty reduction because key actors have encouraged local organization of small-scale activities in which poorly educated rural residents could participate. Thai political leaders, NGOs, and farmers concentrated on three central government policies, implementing them especially well and in a way that contributed significantly to poverty reduction. Farmers not only shifted into organic rice - a move that greatly increased their incomes - but managed to establish an internationally recognized brand. The OTOP initiative allowed low-income farmers to produce handicrafts in their own homes or communities, under the support of a program intended to link them to international markets. Finally, rural tourism was structured so as to benefit poor farmers, OTOP producers, and vulnerable groups. Rural residents could participate more directly in rural tourism. Festivals showcased local products and encouraged tourists to see and experience local traditions.

But the identification of policies that helped to create the conditions for poverty reduction is not on its own a satisfying explanation. After all, Thailand is a unitary state - central policies apply to all the provinces. Moreover, Surin's neighbors also implemented OTOP and at least attempted to participate in rural tourism and organic rice production. To answer this puzzle and make it useful for theory and policy, we examine what factors allowed Surin to succeed in these policies to a much greater extent than its neighbors. Here, political and social forces both appeared to be important. First, our evidence revealed that

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political conflicts in Bangkok pushed students to the hinterland. Many socially active and well-educated youth ended up on the Cambodian border, many in the province of Surin. Once the conflict ended, these youth became skilled and successful organizers. They established a number of NGOs that were designed to help local farmers and resist central policies that harmed their interests. Additionally, when policies such as OTOP, rural tourism, and organic rice arose as opportunities, these organizations were well placed to help local residents leverage them. All three potentially helpful initiatives contain pitfalls for would-be participants. How do small-scale farmers deal with larger and more powerful international players? How do they overcome collective action problems? How do they establish the financial and social resources to take advantage of these opportunities? How do they develop the myriad skills needed to pull off these programs? These local social organizations, we suggest, helped local people to respond well to these challenges.

Moreover, despite the fact that Thailand is a unitary state, local provincial leaders also appeared to have played important roles. While Si-Saket governors changed frequently over this period, Surin enjoyed sustained leadership under Governor Kasemsak. Because Kasemsak enjoyed an especially long tenure as governor and because he was able to work with such a dense network of committed partners in civil society, he was able to implement innovative approaches to achieving national policy goals, such as promoting organic rice. The provincial leadership would likely have been insufficient without the strong local capacity, and the network of farmers and NGOs would likely have garnered much less success without a stable, invested partner in the provincial capital.

Local leadership, national policies, and strong civil society appear to have worked together to ensure that organic rice, OTOP, and tourism led to increased farm and nonfarm income sufficient to reduce poverty greatly. Collectively, these three economic activities form an approach to economic development and poverty reduction that is significant for

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other reasons as well. First, as noted in Figure 2, this approach allowed farmers to remain at home, breaking the double-edge sword that migrating to Bangkok or other major cities has become. It allowed development to stay local and reduced the incentive for the most capable people to leave the area. Locals usually enjoy the benefits of far more social capital when they stay at home. By taking advantages of additional economic opportunities in the local economy, farmers are able to maintain their social ties and avoid the abuse and exploitation that non-skilled laborers sometimes experience when they migrate out of their local communities. Second, the evidence here suggests that Surin pursued a markedly different approach to development than from that prescribed by advocates of GDP-measured growth, driven by technological modernization and large-scale industrialization. Surin focused not on high-tech large-scale growth generators. Rather, the province focused on stimulating low-tech small-scale opportunities of which poorly educated farmers could take advantage. This ensured that the economic growth generated would directly benefit poor farmers. No trickle down was necessary.

Thus, based on the evidence regarding Surin's developmental approach, Surin provides an example of poverty reduction that allows us to transcend the question of whether economic growth is inevitably good for the poor. Growth certainly contributed. Yet, this very contribution leads naturally to a more important question: what kind of growth most directly benefits poor farmers? Here, Surin provides an answer both startling and obvious. To reduce poverty, social and political forces are needed to shift policies in ways that generate economic opportunities of a kind that poor people can take advantage of. These opportunities do not have to be the three sectors we analyzed here, but should be sectors that are relevant to the particular area. In any case, the pursuit of these 'micro-oriented' approaches is a big step away from the prescriptions of those who advocate 'growth at all costs,' or promote development through scaling up production and promoting

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high-tech industries. At the same time, justifying a policy prescription on one case is unwise - much more research needs to be done before these notions can become policy prescriptions.

In many respects, Surin's micro-oriented state reflects the thinking of Manfred Max-Neef, Michael Lipton, Paul Streeten, Robert Chambers, and others who focus on basic human needs approaches that avoid large-scale developmental approaches. The spirit of this approach has also captured popular imagination through works such as E. F. Schumacher's (1973) classic book, *Small Is Beautiful*. These scholars discuss issues of scale and technology as they focus on human centered development. Our research in Thailand illuminates an additional example of this 'micro-oriented' approach. Through an inductive process, we develop observable implications about both the positive impacts that smaller scale, lower-technology opportunities can have on the poor, and also how such an approach to development can emerge. By doing so, we substantiate and flesh out some of the ideas that have emerged from this previous scholarship. Examples of this approach can be found in a variety of places around the world, such as a province in Southwest China that experienced rapid poverty reduction despite moribund growth (citation withheld), overlooked cottage industries in Singapore (Sullivan 1985), small-scale businesses in Taiwan and Hong Kong (e.g., Castells 1992), and even in a struggling Chicago neighborhood (Obama 1995).^{vi}

In Surin and in these other examples around the world, small-scale and low-tech production appears to have created the conditions under which the poor could reduce the poverty that plagued them for decades. Social organizations and subsequently local political support, our evidence suggests, strengthened the structures needed for low-income residents to take advantage of opportunities provided by the local environment, changing social interests, and central government policies. The resulting bottom-up, rather than trickle down, growth could have contributed to a virtuous cycle that focused the benefits of economic growth on the poor.

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ⁱ With regard to demographics, we refer to demographic features such as population densities, levels of education, degrees of urbanization, etc. Surin and Si-Saket's populations are comparable, with Si-Saket's population about six percent higher than Surin's, and its areas less than nine percent larger.

ⁱⁱ Take geographic distance from major growth centers, for example. Surin (250 km) is not significantly closer to the major regional city of Khon Kaen than is Si-Saket (268 km).

Though the fact that Surin is one province closer to Bangkok (433 km vs. 538 km) may have helped contribute to its overall success, other provinces in the Isan region that are closer to Bangkok did not experience Surin's rapid decline in poverty rates. For instance, both Buriram and Nakhon Ratchasima saw more than 70 percent lower rates of poverty reduction compared to Surin's, despite the fact that both provinces' GDP increased nine percent and 53 percent faster than Surin's between 2000-2010, respectively. Surin's proximity to markets in Bangkok, Khon Kaen and elsewhere were probably necessary to support its tourism, organic rice and OTOP industries. Given that other provinces as closer or closer to these markets did not show the same level of poverty reduction, however, indicates that proximity to Bangkok was not sufficient.

ⁱⁱⁱ The poverty gap is a measure of poverty's severity. In 2002, for instance, the poverty gap for Surin was 11.5, while Si-Saket's rural poverty gap stood at 5.3 (National Statistics Office, n.d.-a; National Statistics Office, n.d.-b).

^{iv} Organic agriculture and tourism were not emphasized on the national agenda in the same way as the other policies were. The central government was not hostile to these initiatives, however. Moreover, with the success of organic agriculture in Surin and a few other places, the Thaksin Administration considered making these more of a national priority, though it never was emphasized in the same way these other policies were.

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^v Abbot Nan had pursued a development agenda since the 1950s, inspiring monks to use temple resources to strengthen community and fight poverty at the village level across Surin. For more, see Phitthaya (1994).

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