

## CHAPTER III

### CSR AND ENVIRONMENTAL PROTECTION IN THAILAND



#### 3.1 Background to the Case Studies

This section introduces the organizations that were interviewed for the research. The three business organizations are: The Bangchak Petroleum Public Company Limited, a large oil company, Wonderworld Products, a medium-size company which sells wooden toys, and the Community-Shared Agriculture (CSA) farming group, which is a group of small-scale organic agricultural producers. As mentioned in section 1.8, these three businesses are among the most highly-regarded in the field of CSR practice, and are representative of the more advanced practitioners of CSR in Thailand, rather than the Thai business sector in general. The Thailand Environment Institute (TEI), an environmental non-governmental organization, was also interviewed for their perspective on how corporate social responsibility (CSR) can contribute to environmental protection. Last of all, an interview was also conducted with the CSR Promotion Center, Ministry of Social Development and Human Security, on the role of the public sector in pushing for CSR practice in Thailand. These brief introductions are intended to give background information on the organizations interviewed in terms of history, their involvement with CSR practice, and for business organizations, current environmental practice.

##### *a) The Bangchak Petroleum Public Company Limited*

The Bangchak Petroleum Public Company Limited is a large Thai energy company established in 1984 by the cabinet of then Prime Minister, Major-General Prem Tinsulanon, to operate a 20 year-old oil refinery. According to the Bangchak Company website, “Within 5 years, the company overhauled this failed business to achieve profits of 500 to 800 million baht per year. It became one of the top ten Thai businesses in terms of sales and was praised by influential members of the community as having set a good example, in terms of both organization and people” (Bangchak website, 2007). The company’s mission, according to the website, was to “Develop

sustainable business, while safeguarding the environment and society.” (Bangchak website, 2007). The company indeed has a long standing reputation of commitment to CSR practice. In 2006, the company received a prestigious Best Corporate Social Responsibility Award from the SET Award event held by the Stock Exchange of Thailand (SET) Money and Banking Magazine (Bangchak, 2006: 49).

Concerning the environment, the company implemented the ISO14001 standard regarding environmental management to its business operations (Bangchak, 2006:12). The company also invested in developing renewable energy products, such as gasohol and bio-diesel, which are believed to have less negative environmental effects than conventional fossil fuel (Bangchak, 2006:25-26). Besides this, the company also has a policy of green procurement, a program to educate employees on the issues of environmental protection, environmental summer camp program for children from surrounding communities, and it is one of the few Thai businesses that regularly publishes an environmental accounting report (Bangchak, 2006: 12,46).

*b) Wonderworld Products Company Limited*

Wonderworld Products is a children’s toy company located near Bangkok which has been selling wooden toys both in Thailand and abroad for more than 20 years (Wonderworld website, 2008). The company has a clear policy of social and environmental commitment. Concerning labor practice, it follows the Thai Labor Standard, a voluntary code of practice set by the Ministry of Labor, and has many projects such as the Life Quality Development Project which help employees relieve their debt and give trainings on how to save and earn extra income or the Work Life Balance Project which give workshops to employees on how to balance work and family life (Interview with Suthichai Eamcharoenying, January 16, 2008). The company’s managing director, Suthichai Eamcharoenying, is currently also president of the Social Venture Network or SVN Asia (Thailand), a network of business organizations with social and environmental commitment, which is one of the leading supporters of the CSR movement in Thailand.

Regarding its environmental practice, Wonderworld has a policy of using only rubber-wood from replenishable source. The woods are from rubber trees that are

over 25 years and no longer produce latex, which meant the trees are used to their optimum level. The company also has a Tree-Plus Project, in which an extra tree would be planted for every tree that was used, in addition to the trees that were customarily planted as replacement material. Beside this, the company also has a policy of using non-toxic colors and lacquer constituent for its products, as well as 70 percent recycled material for its packaging (Wonderworld website, 2008).

*c) Community-Shared Agriculture (CSA) Group*

The Community-Shared Agriculture (CSA) group is an organic farming group based in Danchang district, Supanburi province, Thailand. The group consists of several small-scale organic vegetable producers, and is led by Payong and Raweewan Sritong, whom received an SVN award in 2006 for their contribution to society and the environment. According to Ms. Raweewan, the producers in the group faced disadvantages both in terms of capital and skills. She explained, “In the past we tried to grow vegetables and sell them to large retail companies to be sold under their own name. After a while, we felt that we were quite at a disadvantage. Our vegetables were graded, which lowered their value considerably. We felt we couldn’t compete. We didn’t have the resources to develop good packaging and post-harvest management. Also there was a problem that companies like to bargain. If they buy a lot they like to push down the price...Our producers are a small group. They do not have a lot of skills and lack capital for development. So we tried to look for a new form of market that would fit the needs of our producer group.” (Interview with Raweewan Sritong, December 15, 2007).

The solution for the group is Community-Shared Agriculture or CSA, an innovative form of partnership between producers and consumers. Ms. Raweewan explained, “Really CSA is not about buying or selling. Its basic principle is how to get producers and consumers to cooperate. This idea started in Japan 20 years ago, under the concept of ‘tekei’ or ‘cooperation’... This idea was adopted and practiced abroad in the US and Canada. It was adapted in each country in order to be more appropriate. In the west, the word they use is partnership. So it’s more like a form of cooperation.” (Interview with Raweewan Sritong, 15 Dec 2007). In Community-Shared Agriculture, the customer would pay producers for their vegetables, which would be delivered to

their homes, one year in advance. This would give the farmers more financial stability and capital for development. The group also practices organic farming, which is a form of agriculture that avoids or excludes the use of chemical fertilizers or pesticides, using instead methods such as crop rotation or tillage to maintain soil productivity and control weed and pests (Barrow, 2006:100). This can have many benefits for the environment and for farmers, as well as producing food that are safe for consumers. The CSA system is therefore a form of business transaction which incorporates both social and ecological concerns into its practice.

*d) Thailand Environment Institute*

The Thailand Environment Institute (TEI) was established in May 1993 as a non-profit, non-governmental organization focusing on environmental issues and the conservation of natural resources in Thailand, with an emphasis on a participatory approach towards environmental responsibility (TEI website, 2008). One of the chief aims of the organization was to create partnership between the private sector, government and communities for the purpose of environmental protection (TEI website, 2008). With regards to business contribution towards environmental protection, the institute has a Business and Environment Program, with many on-going projects such as the Cleaner Production and Cleaner Technology projects, the Green Label campaign, and the Environmental Management: ISO14000 series, which would promote and encourage good business environmental practice (TEI website, 2008). The Thailand Business Council for Sustainable Development or TBCSD also operates under the umbrella of this organization.

*e) Corporate Social Responsibility Promotion Center*

The Corporate Social Responsibility (CSR) Promotion Center is an organization under the Ministry of Social Development and Human Security. It was set up in July 2007 with the objective to promote the practice of corporate social responsibility among businesses in Thailand, as well as to create awareness of CSR among all sectors of society (CSR Promotion Center, 2007). Since its beginning it has set up numerous seminars and workshops concerning CSR practice among Thai business, government agencies and civil society organizations (CSR Promotion

Center, 2007). According to Mr. Chinchai Sheechareon, former director of the center, in the past there was no central state organization concerning CSR activities in Thailand. Each department would focus on their own particular issue, for example, the Ministry of Industry in terms of setting industrial standards or the Ministry of Foreign Affairs (MFA) in terms of international guidelines and codes of conduct. The CSR Promotion Center was, therefore, set up to be the organization that would coordinate CSR activities among different actors (CSR Promotion Center, Interview February 11, 2008). Mr. Chinchai stated, “We work mainly in cooperation with other people. For example, we set up a seminar with the Industrial Council, and the Round Table with the MFA on the issue of the OECD guidelines. With the business sector we also worked with business associations that are interested in CSR. We bring together various groups that are interested to discuss the issue” (Interview with Chinchai Sheechareon, February 11, 2008).

### **3.2 Research Findings**

This section presents the findings from focused interviews with the five above-mentioned organizations. The interviews were conducted between September 2007 and February 2008. Each organization was asked similar questions concerning four subjects: the situation of CSR practice, the limitations of CSR practice in Thailand, the role of the public sector and civil society organizations concerning CSR, and how (or whether or not) CSR can contribute to environmental protection in the situation of a developing country such as Thailand.

#### *3.2.1) The Situation of CSR Practice in Thailand*

Each organization interviewed demonstrated a fairly advanced understanding of CSR, suggesting that CSR in Thailand has gone beyond the initial stage and there is now a convergence on the understanding of the concept. This is different from the conclusion from Kraisornsuthasinee and Swierczek’s study, *Interpretations of CSR in Thai Companies* (2006), which stated that, “The findings reveal the emergence of CSR as a corporate focus, but show very different interpretations even among the most progressive companies in the country.” Among the business organizations

interviewed, all three expressed a decidedly *social or public view* of corporate social responsibility in which business responsibility and accountability towards their stakeholders was emphasized, although the two larger organizations (Bangchak Petroleum and Wonderworld Products) also stressed the importance of management attitude. Stakeholder involvement and accountability, however, was emphasized by Bangchak, the largest company, as well as Wonderworld which is a medium-size organization. As for the CSA group, the smallest organization interviewed, their practice of consumer-producer cooperation clearly shows their strong emphasis on stakeholder partnership<sup>1</sup>. As for the public sector and civil society organization interviewed, the CSR Promotion Center and TEI respondents both acknowledged that the CSR movement in Thailand correlates with trend towards a more participatory political process, as well as more stakeholder involvement in decision-making (Interview with Pathom Chaiyapruksaton, September 13, 2007; Interview with Chinchai Sheechareon, February 11, 2008).

All three companies interviewed expressed the view that CSR is more of a duty than a charitable activity, indicating that social and environmental concerns are integrated into its routine business practices. For example, Ms. Chongprode Kochaphum, Environment Division Manager for Bangchak Company, answered that “We take care of the environment because we felt it was our duty, it is our responsibility. When we have a production process that uses up natural resources and puts out wastes into the environment, it is already our responsibility to take good care of it. It is not because we wanted commercial advantage” (Interview February 12, 2008). Another example is the CSA group, which did not mention charitable donations at all, but made environmental protection a core part of their business practice by engaging in organic agriculture. As for the public sector, Mr. Chinchai Sheechareon from the CSR Promotion Center also expressed a similar view that CSR

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<sup>1</sup> It should be noted, however, that Kraisornsuthasinee and Swierczek’s 2006 study involved a larger number of case-studies, and may be more representative of the situation of Thai CSR practice in general. As mentioned in section 1.8, this research involved only three business participants whom were selected for their established reputation concerning CSR practice. It is, therefore, not representative of the Thai business sector in general, but of the most advanced in the field of CSR.

should be regarded as a part of the business practice itself, or what is termed “CSR-in-process”<sup>2</sup> (Interview February 11, 2008).

However, several respondents also replied that companies that practice CSR out of genuine social or environmental awareness are very few. Most are forced to adopt codes of practice due to external pressure or practice CSR as a public relations campaign. They cautioned that there are still a large number of Thai businesses that do not harbor any social or environmental concern at all. According to Dr. Pongvipa Lohsomboon, director of the Business and Environment Program at TEI:

It is still only a very small movement. [For example], the Green Label program has only 31 participants. In Thailand, we have 200,000 small-medium enterprises (SME) that are not concerned at all about [environmental] issue. Most would only think of their business survival. For large companies, due to demand from society, they feel they have to take action otherwise they would look like the bad guy, but for SME which face no social pressure, there is still room for them to do what they can to survive. Our national development plans up until now still put the economy first. This means SME are given special treatment because our economy depends very much on SME. (Interview September 13, 2007)

On the level of CSR practice according to the five stages of CSR activities outlined by Nelson (See section 2.2), all three business organizations interviewed are at an *advanced stage* of CSR practice. While all three follow the law sufficiently to earn their legal license to operate (stage 1: legal compliance), they also practice beyond-compliance activities. For example, the Bangchak Company implemented the ISO14001 standard (stage 2: control risks and costs), they also participated in community activities such as youth summer camp and employee volunteering (stage 3: contribution to charity and community investment), they develop new eco-efficient

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<sup>2</sup> According to Dr. Pipat Yodprudtikan, director of the Thaipat Institute, CSR activities can be distinguished into CSR-in-process, which incorporates CSR activities into its business practice, and CSR-after-process, which only concerns charitable or philanthropic giving (Thaipat Institute Website, 2006)

products such as the company's Gasohol and Bio-diesel products (stage 4: create new values), and last of all, they had worked with NGOs such as TEI, academics, the public sector, and local communities to promote CSR practice in Thailand through various seminars and conferences (stage 5: collaborate to address broader agenda).

As for Wonderworld, the company had many policies, described in the previous section, which aims to minimize negative socio-environmental effects. For example, the company uses only replenishable or recycled material and follows the Thai Labor Standard, a voluntary code of practice set by the Ministry of Labor (stage 2). The Tree-Plus Project is an example of the company's contribution to charity and community investment (stage 3). The company also invested in developing environmental-friendly products as described in section 3.1 (stage 4) and, as a member of SVN Asia (Thailand), collaborated with many from the public sector, academic institutions and NGOs to promote business practice of CSR (stage 5).

For the CSA group, although they no longer receive organic certification from the Organic Agriculture Certification Thailand (ACT), they still practice organic agriculture which contributes to environmental protection by reducing air, water, and soil pollution (stage 2). The group emphasized on bringing producers and consumers together in a new form of partnership, the community-shared agriculture system, which can be considered a more social and environmental-friendly business model (stage 4). They also collaborated with many NGOs and academics to address to issue of sustainable agriculture and green consumerism (stage 5).

As can be seen, all three companies interviewed for this research showed high levels of social involvement in their activities. All three organizations participated in the most advanced stage of CSR activity by collaborating with other organizations and other sectors to address broader social and environmental issues. However, as cautioned by the respondent from TEI, these companies represent only a small number of Thai businesses, and tends to be the most advanced in terms of their understanding of the concept of CSR, as well as their actual practice of environmental responsibility. Therefore, the findings in this research would only represent the opinions and practices of the leading businesses in the CSR movement in Thailand, rather than reveal the situation of CSR among Thai businesses in general.



When asked whether CSR is interpreted differently in Thailand than in the West, where the concept originated, the majority of respondents gave similar answers that although the word “CSR” originated in western countries, the value and practice of good social and environmental business practice existed in traditional Thai culture. Mr. Suthichai of Wonderworld Products explained:

The word “CSR” came from the west, it is a western concept. But countries in Asia, whether Thailand or China or Japan, all had traditional concepts of CSR. For example, in Thailand, it is part of business culture for employers and employees to work together in supportive ways, like we are the same family. In Japan, there use to be the idea of lifetime employment... These are traditional ideas of CSR. The difference is that in Asia, there are no regulations or written rules. This is different from the west. When westerners think about something, they do it systematically with a clear set of rules. But in Asia, it is more up to personal conscience and each has a different way of doing it. So you can't really say CSR is a western concept, there are CSR practices in other countries. But when there are rules, there is more clarity. Because it is the western consumers who use their power to force manufacturers to play by their rules, you feel that [CSR] comes from the west. (Interview January 16, 2008)

This view was also held by the majority of respondents. However, a careful study shows that most companies and organizations still used standards of business conduct that originated in the West as guideline for CSR practice. For example, the ISO 14001 standard was used by Bangchak, as well as promoted by TEI and the Thai Industrial Standard Institute (TISI). Although there are now many initiatives to set a Thai system or standard for business environmental conduct, such as the Green Label scheme set up by TEI and TISI, most organizations involved still rely on western concepts and standards to define the scope and methods of CSR practice.

### 3.2.2) *Limitations to CSR Practice in Thailand*

When asked whether they feel they faced any financial burden or economic disadvantage from CSR practice, such as higher production costs or from the cost of labeling and certification, there were different answers between large and small organizations. The respondent from Bangchak, Ms. Chongprode Kochaphum, answered that the company's engagement in CSR practice did not give them any extra financial burden, as the cost of environmental management was already calculated into normal production process. She explained, "What we do is considered CSR-in-process. It is in our business process. Our objective from the beginning was to do business in accordance with the public good. It is our company ethics to develop our business while taking care of society and the environment...Most people think CSR is about donations and giving to charity, which is only a minor part. For me, CSR-in-process is more important." (Interview 16 Feb 2008). She added that the belief that CSR practice would require extra financial costs is a "misunderstanding", saying:

Even if we had little funds, we could still choose to do activities that did not have to use a lot of money. For example, we could send employees to do volunteer work such as teaching children, which doesn't cost a lot of money. And as for taking care of our employees and taking care of the environment, that is a part of our job. It is already in our work process. So it didn't give us any major additional cost. (Interview with Chongprode Kochaphum, February 12, 2008)

Mr. Suthichai from Wonderworld similarly replied that CSR is a normal part of business activity, and that a company that practices CSR is likely to benefit from their actions, not face disadvantage. He explained:

I think CSR is about doing business sustainably. When you do CSR, you take good care of you employees, you practice fair trade, you respect the rights of your staff, you look after the environment. You obey the law. Your business conduct is transparent and accountable. All this is sustainable business development. If you

practice along this line, there is less chance for mistakes. Because everything was done in the right and proper manner. I believe it is beneficial in the long run. (Interview January 16, 2008)

For the CSA organic farmers, which is group of small-scale agricultural producers, they sometimes face competitive disadvantage from mainstream producers who would externalize their environmental costs onto society. Ms. Rawewan explained:

Organic farming is an agricultural method that is natural, that doesn't destroy the environment, that rehabilitates the natural process. The problem is that nowadays, the environment has become degraded, therefore we cannot simply do agriculture as we use to... Organic farms also do other things, such as use renewable energy, recycle waste, reduce the amount of waste you put out, and taking care of biodiversity. So in order to do that, you need a high input of labor and skills. The labor input is intensive and quite delicate. For example, if you do not use chemical herbicides, you have to pull out weeds everyday by hand for a long while. The cost of rehabilitating the environment is why organic products are more expensive. The reason why ordinary produce cost less is because the environmental costs are not calculated into the products, such as the cost of polluted air, water or soil. This is why it is difficult for organic farms to compete with industrial agriculture. (Interview 15 December 2007)

As for the cost of eco-labeling or certification, there was also a difference between the answers of large and small-scale organizations. While the respondent from Bangchak replied that the cost of ISO certification did not impose financial burden onto the company, the respondent from the CSA group replied that:

For small-scale farmers, certification is quite an obstacle due to lack of capital. And if there is not a good marketing strategy, it would be an extra burden on them. This is why we chose to do CSA, because we felt that due to the limitations we had, about limited capital and

skills, we would not be able to sell to a large market. We cannot afford the extra cost [of certification]. Therefore, after a while we felt that it was not necessary for us to have certification in a CSA system... When we had certification, the market would come to us. But after a while, we felt it was a burden because when the producers lack marketing skills, what we earned could not compensate for the extra cost.

(Interview with Rawewan Sritong, 15 Dec 2007).

Therefore, we may conclude from the interviews that although CSR practice does not put large or medium-scale companies which are financially secure at a disadvantage, the situation is quite different for a small-scale enterprise. This is due to many factors such as the cost of certification is too high for a small organization to afford, or they face many competitors that have no regard for environmental protection, which happens more in the case of SME and agricultural producers who face competition from mainstream industrial agriculture.

With regards to consumer awareness to CSR and whether they reward good business practice, as in the case of consumers from the European Community and OECD countries, even the largest company, Bangchak Petroleum, admitted that there are no obvious reward from consumers for companies that have better environmental practice in Thailand. Although Ms.Chongprode mentioned that in company surveys, some customers would reply that they choose Bangchak Petroleum because the company takes good care of the environment (Interview February 12, 2008), the overall impression is that the majority of Thai consumers do not reward good environmental practice to the same extent as those from industrialized countries.

The interview with the CSA group, however, shows that the number of environmental-conscious consumers in Thailand, although still small, may be increasing. The group, which began in Thailand ten years ago with one customer, now have 70 regular members who pay the farmers in advance for a year's worth of vegetables (Interview with Rawewan Sritong, December 15, 2007). Although the price for the vegetables is higher than average, their consumers are willing to pay an extra price for food that was produced in a socially and environmentally responsible way. This indicates that good environmental practice may attract a number of

environmental-conscious consumers. As the number is very small, this would likely have more effect on small-scale organizations like the CSA group than large or medium-size companies like Bangchak or Wonderworld.

### *3.2.3) The Role of Public Policy and CSR Practice in Thailand*

As described in section 2.4 of the previous chapter, the role of public policy in promoting CSR practice as suggested by stakeholders from the European Community and OECD countries can be summarized as follow:

- There should be a strong legal framework, as well as stringent enforcement of existing regulations, in order for those who practice over-compliance to benefit from their actions
- The process of setting out regulations should be a participatory process in which all stakeholders have a part, as oppose to 'top-down' process in which regulations are mandated unilaterally by public authorities
- There should be regulatory flexibility to allow companies to find the most effective method of environmental protection. Performance-based, rather than technology-based, regulations are seen as more effective in environmental protection, as well as more cost effective for producers. It is also believed performance-based regulations would help encourage investments in development of eco-efficient products
- Similarly, incentive-based policies, such as tax reduction or subsidies, are agreed to be more effective than command-and-control regulations
- A major policy tool in promoting CSR practice is education. This involves giving information, such as the eco-label, and promotion campaigns. This is seen as one of the most important policy action, as consumer pressure is regarded by many as the most important factor for the emergence of CSR

In this section we would compare these five policy suggestions with actual policies regarding CSR practice and environmental protection in Thailand.

Regarding enforcement of environmental regulations, while the Bangchak Petroleum company replied that they do not face disadvantage from CSR practice, which suggests that their competitors are sufficiently required to comply with the legal standard of environmental management, the CSA organic farming group stated that they were often forced to compete with industrial farms which still use highly polluting chemicals in their production practice. This may be due to the fact that the energy sector is regarded as a highly polluting industry, and therefore is under close watch from authorities, while the agricultural sector is often overlooked by Thai society as a major cause of pollution. Therefore, we may conclude that while strong enforcement of environmental regulations is not a problem for some industries, business in certain sectors are receiving lenient treatment by authorities.

Concerning the issue of participation in the policy-making process, Mr. Pathom Chaiyapruksaton of the Green Label program at TEI, stated that there is now more stakeholder participation in setting out environmental standards in Thailand, particularly in the industrial sector. He gave the example of the Green Label program as how policy-making in Thailand has become more transparent and open to public:

In setting out environmental standards for the Green Label, there needs to be relevant stakeholders such as manufacturers, academics, environmental experts, including us at TEI, and the Thai Industrial Standard Institute (TISI) as a representative from the public sector. We all need to participate in setting out various codes-of-conducts. Then we can say that the process is transparent. We set out a draft and we give a chance for all those involved to comment, and revise until all are satisfied, then we approved the final version. Before, there had been no such process. The laws are drafted behind closed doors, then approved and enforced. Now there is more of a dialogue. (Interview September 13, 2008)

An interview with the CSR Promotion Center of the Ministry of Social Development and Human Security also gave indications that the Thai government has taken steps towards creating a multi-stakeholder dialogue concerning CSR. For example, since its establishment, the center has set up many multi-stakeholder

roundtables and seminars in which many actors from the public, private, and civil society sector come together to discuss on what would be the most appropriate policy towards CSR. The conclusions would be presented to the government for consideration. Mr. Chinchai, former director of the center, gave this description:

We set up a seminar with the Industrial Council, and the Round Table with the Ministry of Foreign Affairs on the issue of the OECD guidelines. With the business sector we also worked with business associations that are interested in CSR. We bring together various groups that are interested to discuss the issue, which before these organizations never had a chance to come together. So we felt the first thing we had to do was set up a CSR Round Table, which brings various groups that are practicing CSR together, let them talk and exchange ideas, discuss what should be the best policy. We also push for public policies regarding CSR by suggestions to the government. (Interview February 11, 2008)

The findings are, therefore, contrary to the initial hypothesis that there is a lack of business sector involvement in the policy-making process. In fact, a careful study of two industrial codes of practice set by the Department of Industrial Works (DIW), Ministry of Industry<sup>3</sup>, showed that not only was there many representatives from the private sector, there were also a few representatives from the civil society sector as well (DIW, 2001).

Regarding whether the standards were performance or technology-based standards, the same industrial codes revealed that environmental management criteria were based on the level of environmental performance, not technological standards (DIW, 2001). Although cleaner technologies were specified, they were not mandatory. The technological guidelines in the codes were more of a suggestion on how to improve environmental performance. Two other examples are the Green Label standards for the recycled paper and plastic industry, which are also performance-

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<sup>3</sup> These are the Industrial Sector Code of Practice for Pollution Prevention (Cleaner Technology) for the rubber and dairy products industry, published in 2001.

based standards. The standard for recycled paper, for instance, required that a factory must use one hundred percent recycled paper, fifty cubic meters of water per ton, and use non-toxic paint, without requiring that the factory must follow a specific procedure to achieve that goal (TEI, 2006:12).

As for policies that would provide incentives for businesses to improve their environmental performance, the research again revealed a difference between sectors. In the case of the energy sector, the government had many policies to support renewable energies such as gasohol and bio-diesel. For example, in January 2005, the Minister of Energy and the Minister of Agriculture and Cooperatives jointly drew up a plan to promote the use of bio-diesel, with a strategy to push daily bio-diesel use and production to 8.5 million liters, or 10 percent of market share, by 2012 (Bangchak website, 2008). In order to achieve this, they put forth measures such as to support the plan to grow five million rai (hectares) of oil palms to be used for raw material, or to create a bio-diesel market through tax measures that would make bio-diesel price cheaper than petrodiesel (Bangchak website, 2008).

In the cases of manufacturing and agriculture, there seems to be less government policy to provide incentives for environmental protection. The case is particularly extreme for the CSA group, which answered that the government's contradictory policies towards organic agriculture gave no incentives for farmers to pursue good environmental practice. In fact, it may even discourage it. Ms. Raweewan Sritong of the CSA group gave this account:

Before, the Department of Agricultural Extension (DAE) promotes organic agriculture while at the same time they sell chemical fertilizers to farmers. So they have contradictory practices. So they shifted the responsibility of promoting organic agriculture from the DAE to the Land Development Department, and the DAE went back to supporting chemical agriculture. I don't want to say if the government is sincere or insincere, but in the same Ministry, the Ministry of Agriculture and Cooperatives, different departments have different policies. So who should the farmers believe? (Interview December 15, 2007)



The reason that lies behind the difference in government support is due to the fact that the main objective for government policy is usually not to encourage environmental protection, but to encourage the growth of industry and to support export commodities. Ms. Raweewan, again, gave this explanation:

If you look at the real practice, there is still little importance given to organic agriculture. The government is only concerned about export, especially for organic rice. There are about 6 types of products that are being promoted as organic agriculture for export. But they are all monoculture. Therefore, it is difficult to say how sincere the government is towards organic farming. They are not looking at organic farming as a way to improve production methods. They are still looking mainly at the business aspect. Half of the funds to promote organic agriculture go to producing fertilizers. But almost no money goes into developing organizations or investment in knowledge and training. They feel that to stop using chemical fertilizers would be organic farming, but they don't look at changing the structure of industrial agriculture, nor do they look at the issue of biodiversity. (Interview December 15, 2007)

Regarding tax incentives in Thailand, companies that give donations to a charitable organization registered with the Ministry of Finance are entitled to tax benefits, such as tax deduction at twice the amount (Revenue Department website, 2007). According to the CSR Promotion Center respondent, the Ministry of Social Development and Human Security is currently working with the Revenue Department to improve policies concerning this issue. He gave the example of employee volunteering as one of the policies to promote CSR practice among companies:

What we tried to do is to expand what would be considered 'charitable donations', for example, in the past it would mean you give to schools or museums or for environmental purposes. We suggested that other types of charitable contributions should be included as well, for example, through community volunteering. This means that companies would let their employees go out to do community work

without having to take leave, and they can get tax reduction for the same amount as that employee's pay. For example, that person is paid 500 baht per day. He went to do community volunteering for 5 days, so you can get a tax reduction of 2,500 Baht. This idea was accepted by the Revenue Department. (Interview with Chinchai Sheechareon February 11, 2008)

These policies are intended to provide fiscal incentives for companies to contribute to social or environmental causes. One respondent from the business sector, the Bangchak Petroleum Company, however, gave an indication that such policies might not be as effective as they should be. She explained that the process of filing for a tax refund was so long and complicated that she felt the company might as well not take advantage of the benefit. This seems to suggest that the benefit from tax deduction did not really provide any motive for the company's practice of CSR.

Regarding education and giving information, there had been many attempts by the Thai government to promote the concept of CSR and environmental management. The CSR Promotion Center, for example, has been set up primarily with the task of promoting CSR practice in Thailand. Since the Center began in 2007, they had given information to business and government organizations, as well as to the general public, through various media. Many government departments, such as TISI, is also responsible for publicizing and disseminating knowledge on Thai and international standards and codes of practice, such as the Green Label and ISO 14001 concerning environmental practice, or the ISO 26000 standard on social responsibility (TISI website, 2008). However, the study revealed that there is still little effort by the Thai government to promote CSR as a mechanism to provide accountability over corporations. The interview with Mr. Pathom Chaiyapruksaton of TEL, for example, revealed that the Green Label Program still face some problem due to limited resource and personnel (Interview September 13, 2007). So far there has also been no attempt by the relevant public authorities to create a mechanism for consumers to evaluate business claims of CSR practice<sup>4</sup>. This makes it difficult for consumers to

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<sup>4</sup> An example of what can be done by the government to provide accurate information to the public is the Corporate Social Responsibility Index, set up by the Department for Business, Enterprise and

distinguish between companies that actually contribute to environmental protection and companies that make false claims in order to boost their image. Therefore, we may conclude that there is not enough support from the Thai government to give correct and relevant information concerning the practice of CSR to the Thai public.

### *3.2.4) The Case of Thailand as a Developing Country*

As mentioned, the process of globalization has resulted in many environmental problems for developing countries. As the majority of environmental problems are believed to be caused by business and industry, particularly by TNCs, CSR practice through voluntary codes of conducts or dissemination of cleaner technologies has been suggested to combat these negative effects. However, many raised the concern that CSR practices, which are not binding regulations, can be ineffective tools for environmental protection and undermine national legislations and institutions. Concerning campaigns for corporate responsibility among TNCs, Karliner and Lewis (2002) stated that ‘...these approaches are also a source of frustration for some, because the very same corporations promoting their corporate responsibility, are actively working to prevent measures for corporate accountability, such as international treaties and conventions, transnational lawsuits, national legislation, personal liability, and so on.’

The finding from interviews revealed that the majority of respondents did not believe CSR practice by the business sector would undermine government authority. Regarding the role of the public sector, Mr. Suthichai of Wonderworld gave this view:

In every society, you need to have someone to set the rules. Those who set the rules can be divided into trade associations in the case there are no national laws, and if the trade associations do not have any regulations, but the state think those regulations are necessary, the state will be the ones to set the rules. Therefore, the role of the government cannot be abandoned. If the public sector is slow, the private sector will

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Regulatory Reform (BERR) in the UK. Another example is the Green Claims Code established by the Department of Environment, Food and Rural Affairs (DEFRA), also in the UK, to help prevent exaggerated claims by companies in the area of environmental protection (Kenan Institute, 2007).

be more advanced, and the public sector would trail behind. The trend right now is that the private sector tends to be more advanced. But that doesn't mean the role of the state is obsolete, it is still necessary. In Thailand, CSR is not so widespread. It is still far from it. So there needs to be support from all sectors, the state, NGOs, businesses, trade associations... Each may take turns at the lead. (Interview January 16, 2008)

TEI respondent, Mr. Pathom, also gave a similar reply that, "CSR is initiated by the private sector, by finding ways to produce things in ways that are less damaging to the environment. Then they disseminate the information so consumers would understand and can make the right choices. We can use market mechanisms for the purpose of environmental protection. But at the end of the day, there needs to be involvement from the public sector in order to be the disinterested party that would verify instruments such as the Green label, and give correct information to the public" (Interview September 13, 2007).

According to Jan Aart Scholte in *Globalization: A Critical Introduction* (2000), we can distinguish three different approaches to globalization: the neo-liberal, reformist, and radical approach (see section 2.5). From the above replies, we may conclude that the respondents regarded CSR practice as a *method of intervention* in a market system that would allow for more social and environment protection in a market economy. When projected onto an international scale, this view is what Scholte termed a 'reformist' approach to globalization which proposes the use of public policy to counter the negative effects of uncontrolled capitalism (Scholte, 2000:35-36). In the past, this role was designated mainly to national governments, which Scholte termed 'old-style reformism' (Scholte, 2000:36). As can be seen from the interviews, however, there is now a common perception that this role should be shared more equally between the state, the private sector, and civil society organizations. In fact, when the interviewees were asked which of these actors should take the lead in pushing for CSR practice, the most common response was that it should be consumers and civil society. Nevertheless, the majority of respondents also stressed the need for the government to play its role.

Although the majority of respondents stated that CSR is not a foreign concept to Thai society and that there are traditional Thai practices of CSR, they agreed that standards which originated in industrialized countries, such as the ISO 26000 or the ISO 14001 standards, are often used to measure and guide CSR practice by Thai companies due to the fact that they are more clear and systematic. Some respondents, however, also mentioned that international pressure is one of the major factors that pushed for CSR in Thailand, which could explain why western standards are so prominently used in Thai CSR practice. Mr. Suthichai from Wonderworld Products gave this account:

In Thailand, CSR has been much talked about during the past 1-2 years. It is usually practiced among large companies and TNCs. In the west, especially in Europe, it is quite necessary to do CSR. The branch of that company [in developing countries], therefore, also adopts the same practice. If you are a large company which exports to overseas market, you cannot avoid this. It is a kind of business that is based on rules and regulations, or code-of-business practice, which I feel most adopt this practice because they are forced to do so. (Interview January 16, 2008)

This can have both positive and negative effects for environmental protection. Concerning the positive aspects, pressure from international business and consumers can push for more environmental protection in developing countries. When asked whether these international standards present a non-tariff barrier against developing nations, Mr. Suthichai answered, "You can call it a non-tariff barrier. But you should also see if there is some genuine concern behind it. If there is, then it is not entirely fair to call it non-tariff barrier. We would use that term when there is double standard in its practice. If it is used selectively, then we can call it non-tariff barrier. But if it is enforced in all countries with no selection, then you can genuinely say this is a code of business practice" (Interview January 16, 2008).

On the negative side, while the use of environmental standards established in industrialized countries may not be a problem for large-scale companies that are accustomed to western-style business practices, small-scale enterprises may find it

more difficult to adjust. Inappropriate transfer of environmental standards from industrialized nations to a developing country may result in the exclusion of small businesses from CSR practice. However, as the examples of the Green Label program and the Department of Industrial Work's code of pollution prevention show, there are now many initiatives by the Thai government, with the help of the business and civil society sectors, to develop a national standard for business environmental practice.

Some small-scale enterprises, however, are adopting what Scholte termed a 'radical' approach to globalization in which not only the neo-liberal, free market approach to globalization is rejected, but many of the underlying principles of contemporary globalization, such as capitalist production, a market-based economy, or western rationalist knowledge, is rejected as well (Scholte, 2000:37). In the area of business environmental practices, this approach places great emphasis on local cultural traditions and knowledge, and welcomes unconventional methods of production and exchange (Scholte, 2000:37). The CSA organic farming group is an example of this 'radical' approach to globalization, as they rejected many conventional business practices, such as the use of market-based mechanism in their environmental strategy, and instead use methods that were based on consumer-producer cooperation and partnership. Ms. Raweewan also expressed a view that there is not a one-size-fits-all solution concerning business environmental practice. While an organic certification might be appropriate for some groups, other groups with a large membership may do better with a Green Market cooperative. As for her group, the community-shared agriculture system was the most appropriate method. She concluded that each group has to consider which practice is best for their situation (Interview December 15, 2007).

As seen in this study, while the contemporary process of globalization has brought many social and environmental problems to Thailand<sup>5</sup>, some Thai business, government and civil society organizations are responding to these challenges in a variety of ways. In general, it can be seen from the study that the respondents

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<sup>5</sup> According to Miller in *The Third World in Global Environmental Politics* (1995), the negative effects of global economic forces on the developing South include debt burdens, declining terms of trade, and capital flight. Regarding the environment, this means the exhaustion or overexploitation of natural resources in order to attain Northern capital, or Northern-style industrial development (p.24).

regarded the practice of CSR as a reaction towards globalization or, more precisely, a mechanism to mitigate the negative social and environmental effects of the current neo-liberal globalization. This can be further distinguished into a 'reformist' approach, in which CSR is seen as mechanism of intervention that would allow for more social and environmental protection in a market economy, and a 'radical' approach, which rejected conventional business practices and sought alternative ways of production and exchange that is based on local knowledge and resources. These respectively reflect different capacities between large and small business organizations to respond to environmental problems resulting from the effects of globalization.

### **3.3 Analysis**

This section seeks to explain the situation of CSR practice in Thailand, as shown in the research findings, using the new institutional theory of policy analysis. Two main questions will be explored: what are the institutional factors behind the practice of CSR (or lack of) by Thai businesses, and what accounts for the difference in answers between large and small business organizations.

#### *3.3.1) The New Institutionalism*

First, a brief description of the main features of the 'new institutionalism' will be given. The new institutional theory is a school of thought which developed in reaction to the behavioral perspective that was popular during the 1960s and 70s (Hall and Taylor, 1996: 5). In contrast to the 'old institutionalism', the new institutional theory does not regard the state as a neutral broker among competing interests, but is influenced by the idea of the group theory that conflict among rival groups lies at the center of politics (Hall and Taylor, 1996:6). However, it rejects the view that individual agents are the primary drivers in the political process, but emphasize that social and political institutions play a key role in structuring interactions among different social actors in order to generate specific outcomes (Hall and Taylor, 1996:6).

But what are institutions? In his article, "The New Institutionalism", Sven Steinmo (2001) gave this definition, "In the broadest sense, institutions are simply rules". A more specific definition provided by Hall and Taylor (1996) would be, "formal or informal procedures, routines, norms and conventions embedded in the organizational structure of the polity, or political economy". In this paper, an institution would refer to the rules, conventions, and norms established by various social or political agents that have the ability to influence the behavior of a specific social actor, in this case, Thai business organizations.

According to the new institutional theory, institutions usually have two main approaches to influence the behavior of individuals: the *calculus* approach and the *cultural* approach (Hall and Taylor, 1996:7). The calculus approach, often termed 'rational choice institutionalism', assumes that individuals can be predicted to seek the maximization of certain goals, such as profits, therefore institutions can influence behaviors by providing actors with a greater or lesser certainty about the behavior of others, while the cultural approach, often called 'sociological' or 'normative institutionalism', regards institutions as providing rules, norms, or routines, which provide a framework for social behavior (Hall and Taylor, 1996:7). Both perspectives will be considered in this analysis.

Regarding the calculus or rational choice approach, there are many policies that would create an institutional environment that would encourage CSR practice among businesses. Strong enforcement by authorities of existing environmental regulations, for example, would contribute to more CSR practice by businesses, as they can be relatively certain that other companies are required to pay for their environmental costs. This would ensure to companies with good environmental practice that they would not be put to disadvantage by competitors who could externalize their environmental costs onto society. Another example is incentive-based policies, such as tax deduction or subsidies, which give benefits to companies that participate in CSR activities. This would encourage CSR practice, as businesses acting as rational individuals, would then seek ways to improve their social or environmental performances in order to maximize their benefit. Regulatory flexibility, such as performance-based standards, would also encourage good environmental practice, as companies are allowed to find the most cost-effective ways to reduce their



negative environmental effects. The use of information or promotional tools are also believed to encourage CSR practice, as companies that appear to have good social or environmental practice are likely to gain more customers.

As for the cultural or normative approach, the institutional environment that would encourage CSR practice would be the existence of a binding or non-binding agreement or convention regarding CSR. This could be in the form of national or internationally-accepted standards, such as the Global Compact or the ISO 26000, or it could be an industrial sector code of practice, such as the Green Label or the ACT organic standard. These codes, standards, and mutual agreements, would provide an institutional environment in which companies regard socially and environmentally-responsible business practice as the normal course of action. As CSR practice does not only involve profitable actions, but also includes many unprofitable ones as well, a normative institution is crucial for the emergence of social and environmentally responsible business sector.

### *3.3.2) Institutional Factors for CSR Practice in Thailand*

Concerning the situation of CSR practice in Thailand, analysis reveals that the lack of institutional environment is the reason for the small number of business participation in CSR. Regarding the rational choice institutions, lack of enforcement of environmental regulations for certain sectors in which there is a large number of small-scale producers, or SMEs, resulted in disadvantage for small businesses with good environmental practice, as seen in the case of the CSA organic producers. As for incentive-based instruments, although there are such policies in place in the form of tax benefits, the findings revealed that companies that practiced CSR did not regard them as the motivation for their involvement. This indicates that incentive-based policies were not a factor for the emergence of CSR in practice in Thailand.

The use of promotional tools, such as eco-label and certification scheme, also attracted a small number of participants. This indicated that most Thai companies do not feel they would benefit from an eco-label or environmental certification. The reason for this is lack of consumer concern for the environmental responsibility of business. In this regards, the situation of Thailand can be contrasted with the situation

in industrialized countries, where consumers have high awareness of environmental problems, and are well-organized to demand corporate social and environmental responsibility. From the rational approach, lack of consumer reward for good business practice, as well as lack of consumer boycott for poor performances, results in a few number of business participation in CSR practice in Thailand.

These circumstances partially explain why the two larger businesses, Wonderworld Products and Bangchak Petroleum, reported little or no difficulty in CSR practice, while the smallest organization, the CSA organic farming group reported many difficulties and barriers. As a large company is more financially secure, the lack of institutional environment that would benefit or compensate good environmental practice would not affect them to a great extent, although they may not receive any reward for their good practice. For a small enterprise, however, the lack of institutional environment would place them at a disadvantage, whether from competitors whom are not required to have the same level of environmental practice or from the lack of sufficient consumer reward for engaging in CSR. Therefore, the difference in answers between large and small Thai companies may be explained by the lack of institutional environment that would reward or compensate CSR practice, as this would hurt small businesses that engage in beyond-compliance environmental protection more than large companies. However, it should be noted that the difference in production sectors among the three businesses in the case-studies may also be a key variable behind the difference in government regulation, and not merely the size of the company or enterprise.

This brings us to the question of *why* these businesses engage in CSR activities, even though there is no discernible benefit from it. One explanation is the cultural or normative institutional environment which provides rules and norms through which a social actor may use as a framework to guide his or her decision. In the case of CSR practice in Thailand, we may regard the normative institutional environment at both national and international level. First, at the international level, global conventions and agreements on business environmental practice has been in place since the 1992 Earth Summit in Rio de Janeiro. This has been further supported by international institutions through programs such as the UN Global Compact or the OECD Guidelines for Multinational Enterprise. International civil society, such as

consumer, human rights or environmental organizations, also had a role in demanding socially responsible business behaviors. These factors provide a normative institutional environment, which outline what is regarded as acceptable business practice. This research finds that international normative institutions are a major factor behind the CSR movement in Thailand, which can be seen in the international standards or codes of practice that are often used to define CSR practice in Thailand.

The influence of international institutions is not limited to mainstream organizations, but also to international NGOs and civil society movements. This can be seen in the case of the CSA organic farming group, which used the concept of 'community-shared agriculture' which began in Japan, and was practiced in Europe, as well as North America (Interview with Raweewan Sritong, December 15, 2007). The organic movement is also another international cultural institution that has an affect on the group, not only by providing the standards for organic agriculture (through the A.C.T, which is affiliated with the International Federation of Organic Agriculture Movements or IFOAM), but by increasing consumer awareness on the importance of sustainable agriculture. From the case of the CSA group, it can be seen that international NGOs and civil society movements can provide an institutional environment to support CSR practice among small, local enterprises.

The difference in institutional support for large and small businesses may provide an explanation for the different approaches to CSR practice. While the larger companies adopted a conventional, 'reformist' approach to CSR, such as applying international standards or codes of conduct to their business operation, the smaller business chose a 'radical' approach to CSR practice, using unconventional methods of environmental-friendly business practice such as the Community-Shared Agriculture system. Therefore, it may be partially concluded that the different institutional environment between the larger and smaller business organizations in the case-studies resulted in their different approach to CSR practice, with larger businesses taking a more mainstream approach to CSR and smaller organizations taking a more radical, unconventional, approach. However, as the difference among production sectors may also be the reason behind different practices seen in this study, a future research which distinguishes between different industrial or agricultural sectors is needed to provide conclusive evidence.

With regards to national institutional environment, many respondents expressed the view the concept of good business practice or CSR already exists in traditional Thai society. This cultural tradition may explain why some Thai companies choose to practice CSR even though they do not receive any benefit from it. There is also an attempt by various government and civil society institutions to provide a cultural or normative environment for CSR practice through national legislations and various educational campaigns. For example, the promotion of ISO 14001 by the Thailand Environment Institute was reported by Bangchak to be an influence on the company's CSR practice. The respondent from Wonderworld also stated that CSR practice in Thailand was encouraged by various trade and business associations, which created an institutional environment where CSR is the normal course of business practice. The establishment of platforms for multi-stakeholder dialogue, such as SVN Asia and the CSR Promotion Center in Thailand, also was crucial for creating a mutual understanding of the concept and practices of CSR in Thailand. Therefore, the institutional factor for CSR practice by Thai companies in this study is likely to be the normative or cultural environment at both international and national level, although a further research with more case-studies is needed.