

CHAPTER 2

POLITICAL ECONOMY OF TRADE LIBERALIZATION OF GARLIC PRODUCTION

Trade liberalization is a part of the globalizing process that has the aim of promoting free trade under neoliberal theory and market liberalization. Taking on the late twentieth century's trend of Western capitalism, Thailand rushed through the negotiation and conclusion of bilateral Free Trade Agreements (FTAs) at the beginning of this century and first reached an agreement of this kind with China in June 2003 to implement in October of that year. Neoliberal theory asserts that trade liberalization is a process of deregulation, that is to say, in the case of the agricultural sector, it is a challenge to trade barriers, a force against domestic subsidies for farm products, and is opposed to government intervention such as the restriction of the trade in chemicals and their distribution. However, neoliberal theory is nothing but discourse, and that the reality is calculated and systematic intervention of the state to the market and trade, under the name of state welfare.

With focus on trade liberalization that became a driving force of agrarian transition, I will show how trade liberalization under neo-liberalism has been promoted by the state rather than by the market mechanisms. First I show Thai FTAs policy and data so as to grasp who was the promoters of Thai trade liberalization. Second, I present the numerical data of world garlic trade that illustrates a strong Chinese presence as a top garlic producer and exporter for more than a decade. Then, I also provide the data of Thai domestic garlic production and trade, the data to statistically show how garlic planted acreage in Thailand has been reduced through the government program and the data to demonstrate the de-linkage between garlic production reduction and the garlic price as a result of trade liberalization. In the third section I discuss the increasing new forms of regulations by the state and the market

including prohibition of future cultivation of garlic, introduction of registration system of garlic land, or introduction of contract farming, to support my argument that trade liberalization is re-regulation process as state mechanism rather than shifting its drivers to the market through deregulation. The fourth section argues that the new form of contract brought a shift in the local labor process: from a free farm operator to an un-free employer. Trade liberalization brought a shift to Thai agricultural sector in ways to increase various regulations of both state and market than deregulation.

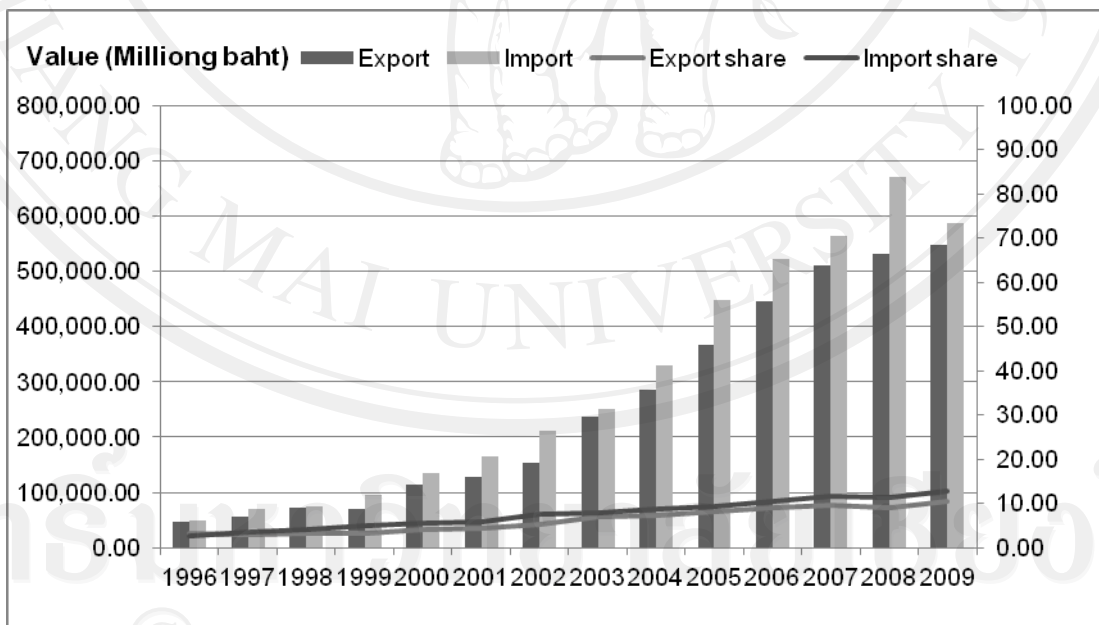
2.1 Trade Liberalization of Thailand and Its Promoters

As a follower of neoliberal development in Southeast Asia Thailand signed a protocol to implement the early harvest scheme (EHS) under the framework agreement on free trade area (FTA) with China with respect to the agricultural sector, and removed tariff barriers of some fruit and vegetables in October 2003. The reason the Thai Government promoted FTAs, is in line with the basic theory of neoliberalism that I have reviewed thus far; a belief in comparative advantage, the survival of the fittest and of individual liberty. FTA supporters emphasize gains to be made by the expansion of markets through the Agreement, and said that if there were sectors that experienced a negative impact by the opening up of the domestic market, they should switch to production of higher value products with government assistance (Sajin, 2007).

Thai FTAs were powerfully promoted by Prime Minister Mr. Thaksin Shinawatra, the powerful, neoliberal Prime Minister of that time, although the emphasis of foreign trade was found since the former democrat government, and the neoliberal policy was also succeeded to the next Democrat Government. While overall foreign trade was becoming active, trade liberalization with ASEANs were promoted and bilateral agreement with China has also progressed as a part of it although the government saw China as a good trade partner with huge potential of the market. After introducing China as the first country among the permanent members of

UN Security Council that established diplomatic ties with Thailand in 1975, the Prime Minister Thaksin said in the interview in June 2005; “Thailand may have to compete with China in some areas, but competition is not something that is a threat. Chinese products can force other countries to be more efficient and productive in manufacture, --- so it is an opportunity rather than a threat” (People’s Daily, Beijing, 28 June 2005). It may be natural for the Prime Minister of a country to view things from the state point of view, but taking this words as an example, it is clear that trade liberalization is intentionally pushed by the government for the state development despite minor sacrifice.

Below I provide the trade summary between Thailand and China (Figure 2.1¹). I can read from the graph that both imports and exports of Thailand steadily increase during the last decade. In this Figure, I also put the share of Chinese trade among the total trade of Thailand against the world in a form of line graph. I provided the detail data in Table AP.1 and AP.2 in the Appendix, but the data shows that the total trade



Source: Information and Communication Technology Center with Cooperation of the Customs Department

Notes: Export and import of share indicates that share of trade with China among the total trade of Thailand.

Figure 2.1 Trade summary of Thailand against China (Million baht).

¹ Original data is provided in Table AP.1 and AP. 2 in the Appendix.

volume of Thailand itself has increased, while the share of trade with China also rose from about three percent to about 10 percent. From this rapid increase of trade volume in Thailand, I can know that the trade, and therefore FTAs with ASEAN, China and other countries, has been placed as an important policy for Thai government for these 10 years.

Soon after the government announced their plans for the FTAs with China and Australia strong criticism was heard, especially with regard to the potential negative impacts on Thailand's small-scale agricultural farmers. According to the Ministry of Agriculture at that time it was believed that some agricultural sectors such as dairy products and garlic might suffer a negative impact, it was expected that agricultural trade in general under the FTAs would enjoy a trade surplus; expanding trade through value (Huongnak, 2006, cited in Sajin, 2007: 4).

In order to clarify these debates, I would like to look at the real performance of trade of Thailand. In the case of free trade with China under the Early Harvest Scheme it was reported in 2006 that about 70 percent of the trade surplus came from vegetables. However, about 99 percent of the vegetable exports to China were taken up by tapioca (Pisanwanich, 2006, cited in Sajin, 2007: 6; Wisarn, 2008). Thus, even though the trade balance of the Thai FTAs with China in the agricultural sector was positive, it did not mean that the whole agricultural nation gained an equal profit through the FTAs, but rather that only those farmers from certain sectors were able to benefit.

In addition to tapioca, another actor or agency that gained benefits through the FTAs with various countries was the Charoen Phokphand (CP) Group, the most powerful agribusiness in Thailand. In addition to increasing their exports of various fruits, CP-Meiji² announced an increase in its yogurt and fermented milk production, in an attempt to make Thailand an export hub in Asia (Kingkorn, 2006; Krungthep Turakij, 12 February 2005, cited by Sajin, 2007:8). The shrimp and seafood sectors were also led by one of the companies of the CP Group, the CP Foods PCL, and they

² CP-Meiji (CP-Meiji Co.,Ltd.) is a joint venture between CP Group and Meiji Japan and produces milk, fresh milk, yogurt and drinking yogurt products.

achieved a 50 percent increase in exports within one year of the FTAs' implementation (Witoon, 2008: 4). Through the expansion of fruit exports to Australia, New Zealand and China, as well as to a number of other countries, they increased the trade surplus value by 33 percent between 2005 and 2006.

Outside of the agricultural sector it has often been said that the automobile and automobile parts sectors must have gained significant benefits through Thai trade liberalization. If I look at the trade balance with China in particular, many sectors such as shoes, leatherwear and electronic parts, in addition to automobile parts, seemed to have lost out in competition with China's cheaper products, and yet, if I adopt a wider view of the Thai FTAs, the automobile and parts sectors gained much more through free trade with India and Australia; a gain enough to cover the losses in trade with other countries (Sajin, 2007: 8).

While the tapioca producers, the shrimp and seafood industries, and the automobile industry sector as well as the CP Group and so on gained from the FTAs, it is reported that the garlic and dairy farm sectors are the biggest losers (Kingkorn, 2006; Witoon, 2008:4). This is an overall picture regarding the impact of the various Thai FTAs on the Thai domestic economy so far. In the next section, I will look at the garlic production and trade of the world and Thailand, which is the background of this thesis.

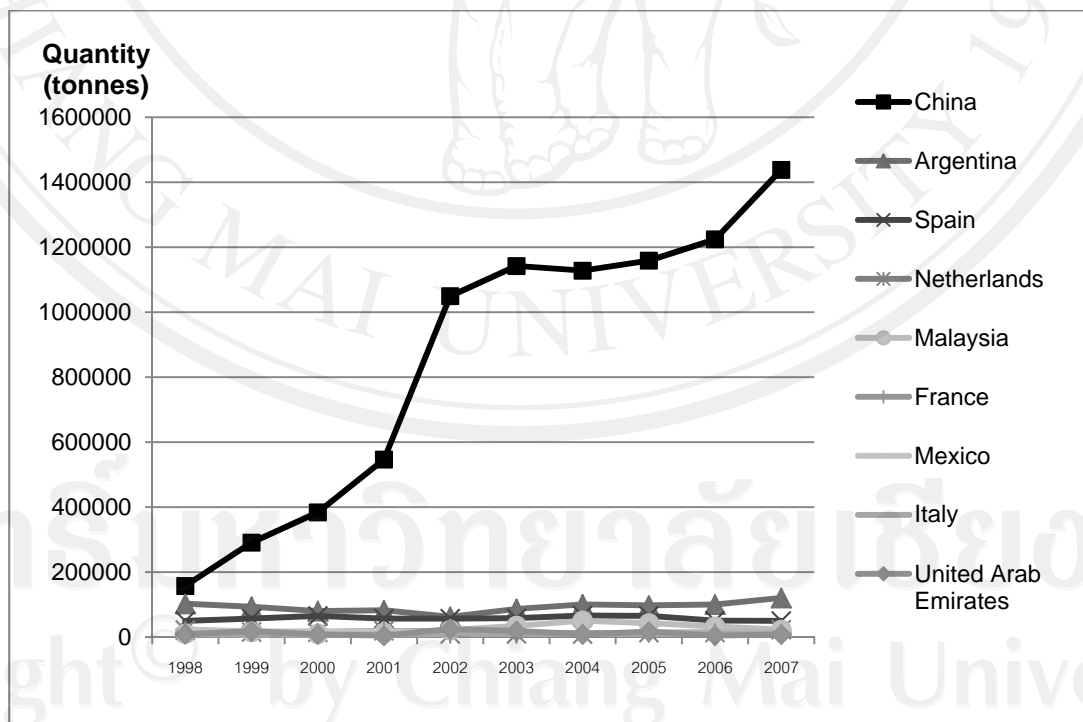
2.2 Trade Liberalization and the Increasing Market Competition in Thai Garlic Production

In this section, I would like to introduce the data of garlic trade both at the world level and national level so that I can grasp the reason why market competition has increased in Thai garlic production after trade liberalization.

2.2.1 World Garlic Production and Trade: China Leading the World

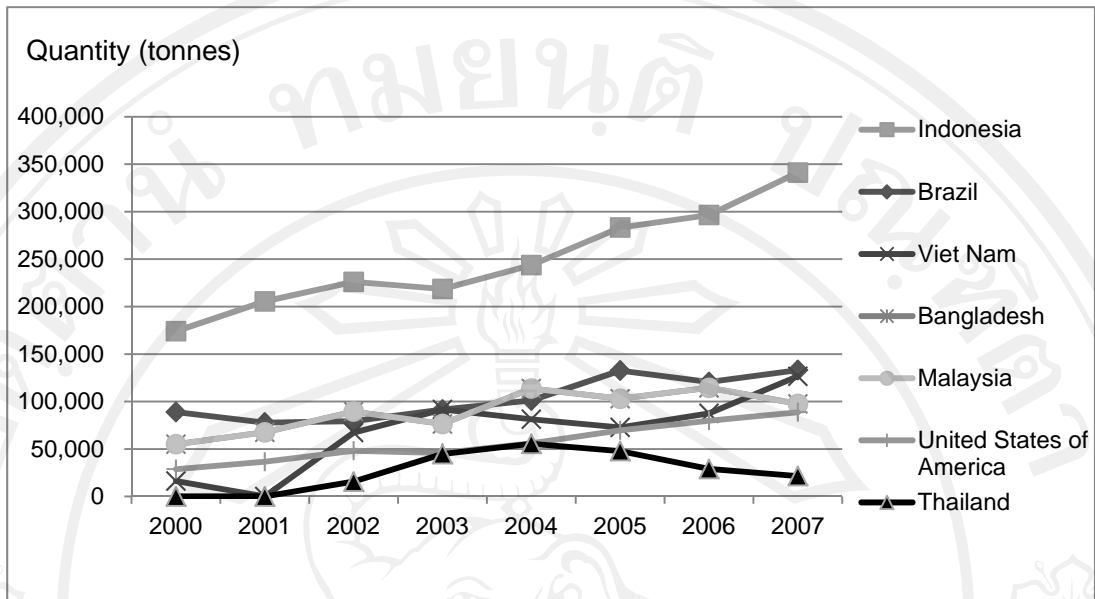
In this first section I provide quantitative data of world garlic trade (export,

import and production) with figures. China, the country with which Thailand agreed to liberate trade as free trade area, has been a top producer and exporter of garlic in the world for more than 10 years and its export has drastically increased since 1999 (Figure 2.2). Although the readers may think at first that Chinese garlic export may have increased due to new FTAs with Thailand, when I look at the graph of the main garlic import countries in the world (Figure 2.3), I can understand that Thailand is not the only reason for it. For Thailand, it is true that it increased the garlic import from almost nothing, yet from the standpoint of world garlic import, Thailand remains from 11 to 20 places except for the years 2003, 2004 and 2005 during when it imported garlic the most, and ranked the sixth and seventh in the world. The increase of garlic export of China rather stem from its increase import of Indonesia, which is the most garlic importing country in the world for more than 10 years, and the increase of overall garlic import by the world countries including Brazil, Vietnam, Bangladesh,



*Source: FAO (<http://faostat.fao.org>)

Figure 2.2 Top nine garlic export countries by quantity.

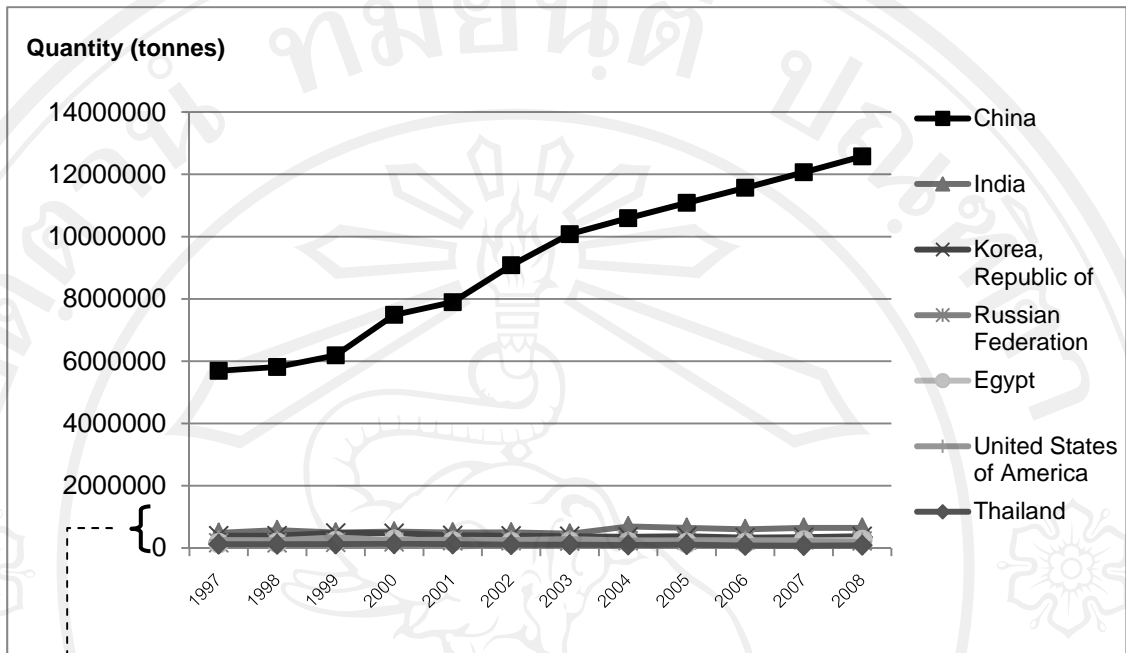


*Source: FAO (<http://faostat.fao.org>)

Figure 2.3 Main six garlic import countries plus Thailand (by quantity).

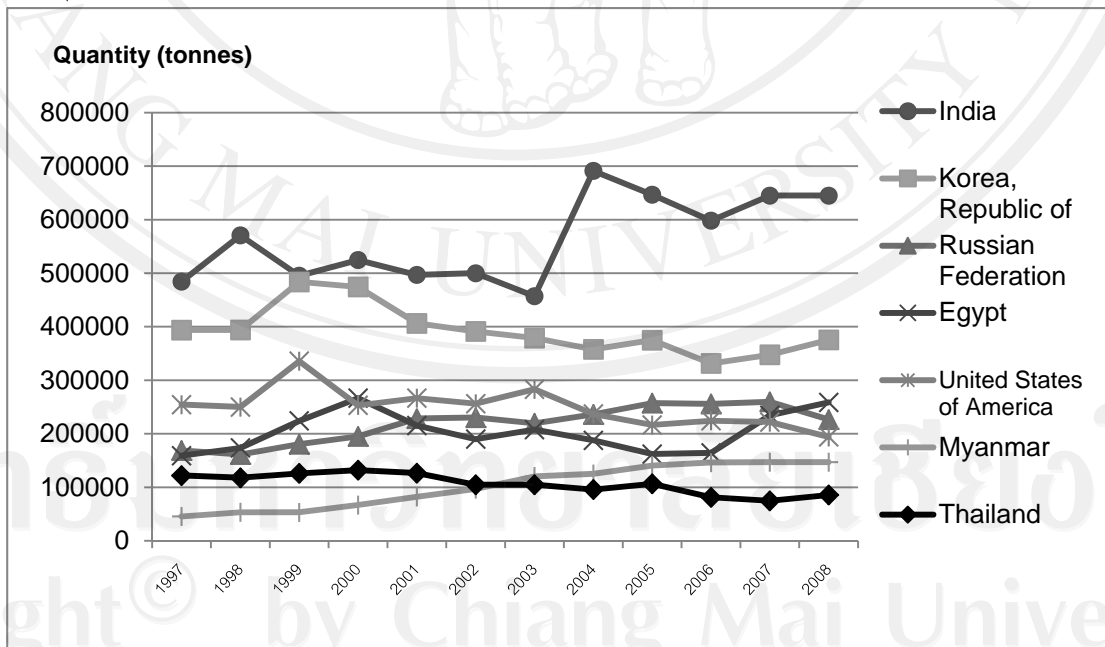
Malaysia, the US, and so on. When I consider that the most of garlic export of the world is occupied by China, the source of the garlic export to these countries can be said mostly from China.

Related to these, in terms of the garlic production of the world, it would be easily assumed from the data of the exports that China is the most garlic producing country in the world, which is correct (Figure 2.4). The other main countries of production include India, South Korea, Russia, Egypt, the US and Myanmar, although the quantity of production changes year by year (Figure 2.5). Regarding Figure 2.5, although I put the data of Thailand on the graph, the world rank of garlic production volume of Thailand in 2008 is 16th and it does not mean Thailand ranks seventh. In addition, although the production volume of Thailand also looks very close to other countries on the graph, yet Thailand usually placed between 10th and 20th in the world ranking for these 10 years. In other words, garlic yields of many countries are similar and competitive each other except for China, which shows enormous production volume, far more than the runners-up.



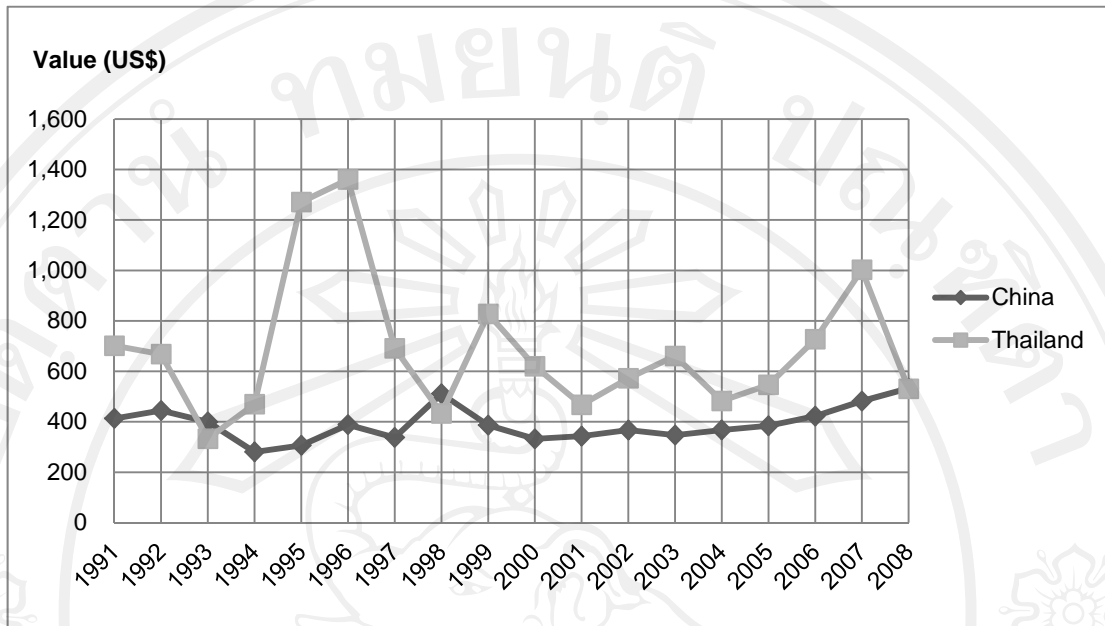
*Source: FAO (<http://faostat.fao.org>)

Figure 2.4 Top 6 garlic producing countries by quantity plus Thailand.



*Source: FAO (<http://faostat.fao.org>)

Figure 2.5 Top 2nd to 7th garlic producing countries by quantity plus Thailand.

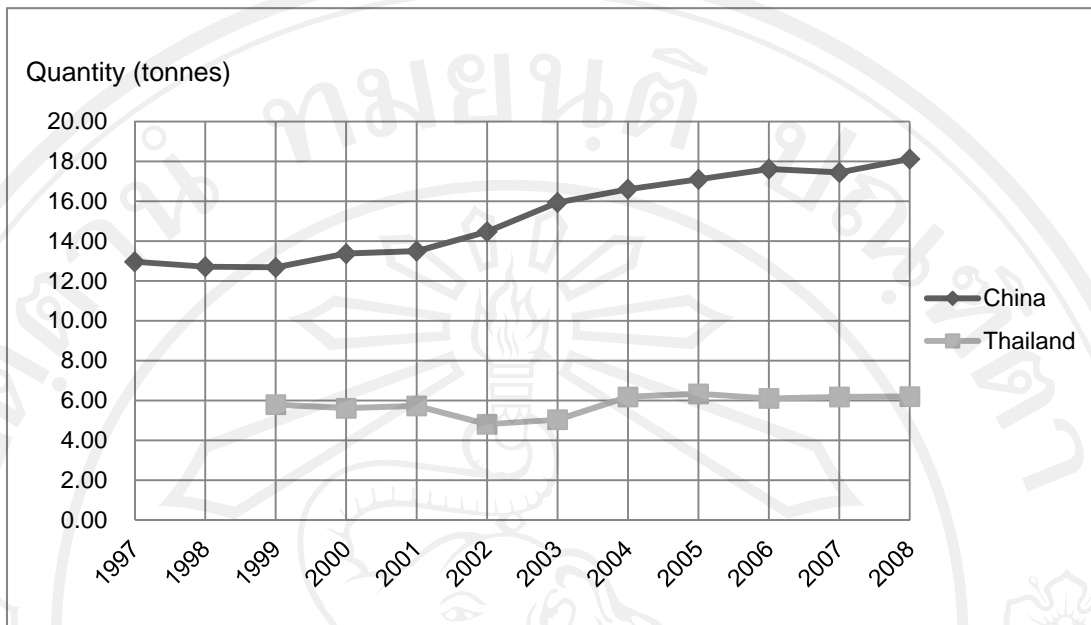


*Source: FAO (<http://faostat.fao.org>)

Figure 2.6 Garlic producer price of China and Thailand (US\$ / tonnes).

Since most critiques of trade liberalization of garlic with China said that Thai garlic cannot compete against cheap Chinese garlic under a liberated market, I would like to provide the data of the producer price of garlic of Thailand and China since 1991, citing from the FAO statistics (Figure 2.6). The price in the Figure 2.6 is shown at US dollars per metric ton, and in the Table AP.6 of the Appendix, I also provided the price at Thai baht for Thai garlic whose data is also from FAO. I can understand from the graph that the price of Chinese garlic is on the whole stable while the one of Thai garlic rise and fall, and that the price of the Chinese one keeps about two-third of the Thai one. Therefore, it is true that Thai garlic would face difficulty to compete with China in terms of price if it has to compete at market without any subsidies or intervention.

Following to the comparison of garlic price, now I would like to look at garlic yield per hectare of China and Thailand for about 10 years. The data of garlic harvested area of China and Thailand were obtained from FAO (Table AP.7 in the Appendix). By dividing the above total production quantity by that garlic harvested area respectively, I calculated the garlic production amount per hectare of two



*Source: FAO (<http://faostat.fao.org>)

Figure 2.7 Yield per hectare of China and Thailand.

countries (Figure 2.7). It is obvious from this graph that garlic productivity in China is almost twice of Thailand and that China shows high productivity. Since the species of garlic are different between the Chinese and Thai ones, and the size of Chinese garlic is much bigger than the one of Thailand, I cannot simply compare the productivity of garlic. Yet, if I consider here only production volumes of the same land size for the sake of convenience, the high productivity in China is raised as one reason of lower price of Chinese garlic. Thai garlic farmers in fact say that the productivity of Thai garlic today is much higher than before due to the improvement of the agricultural chemicals and the quantity of its usage. However, such improved agricultural technology of Thailand does not seem to be helpful in the face of hyper-productivity in China.

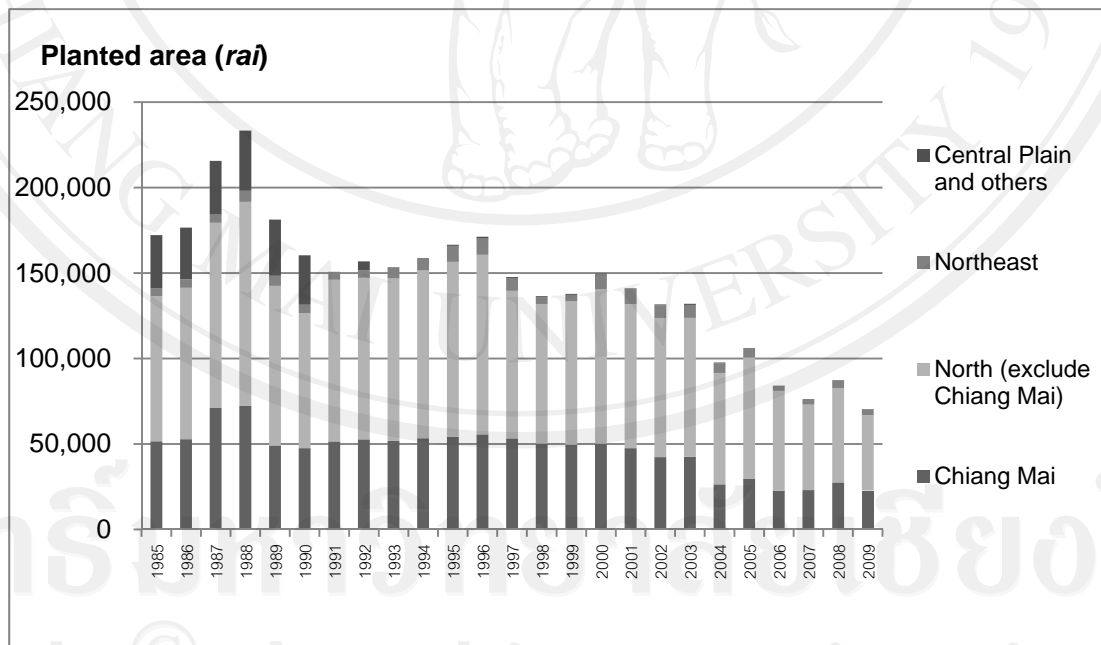
China has been a top garlic producer in the world for more than 10 years.

Whether it is a result of the hyper-productivity or the low producer price, its export volume is outstanding beyond comparison with other countries. With simple comparison of production volume and price, I can understand that Thai garlic cannot be competitors of Chinese garlic under a liberated, competitive market.

2.2.2 Changing Relationship between Garlic Production and Its Price

Turning the view from the world and China to domestic Thailand, in this second section I would like to show various data related to Thai garlic production including yields of garlic, price transition of it, and trade data about it, and to argue that the relationship between garlic production and its price has changed after trade liberalization in Thailand.

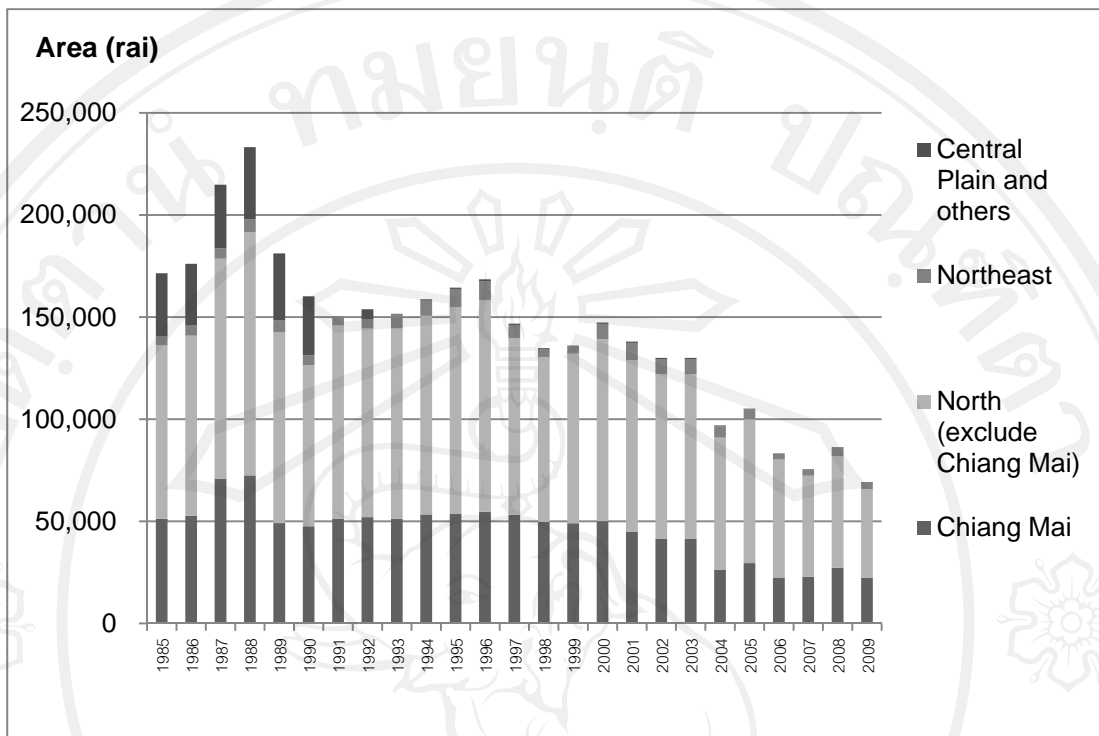
First graph shows planted area of garlic by region in Thailand (Figure 2.8),³ and the second graph is its harvested area (Figure 2.9). After peaking in the year 1988, the total planted area of garlic in Thailand stays around 150 thousands *rai*. Since 1992, the total planted area gradually increases but a price guarantee of the garlic commodity by the government through the Farmer Relief Fund is considered as its one cause (Wisarn, 2008: 58). Then, after peaking in the year 1996, the garlic planted area again falls below 150 thousands *rai*. This is partly due to the Thai government's



Source: Agricultural Statistics of Thailand 1984-2008.

Figure 2.8 Garlic planted area in Thailand.

³ I brought these data from Agricultural Statistics of Thailand (1984-2008) issued by Office of Agricultural Economy in Thailand. As a point to note, I cited only after the year 1985, because the data before 1984 was somehow different from then on probably due to the change of the method to collect data although it is not sure.



Source: Agricultural Statistics of Thailand 1984-2008.

Figure 2.9 Garlic harvested area in Thailand.

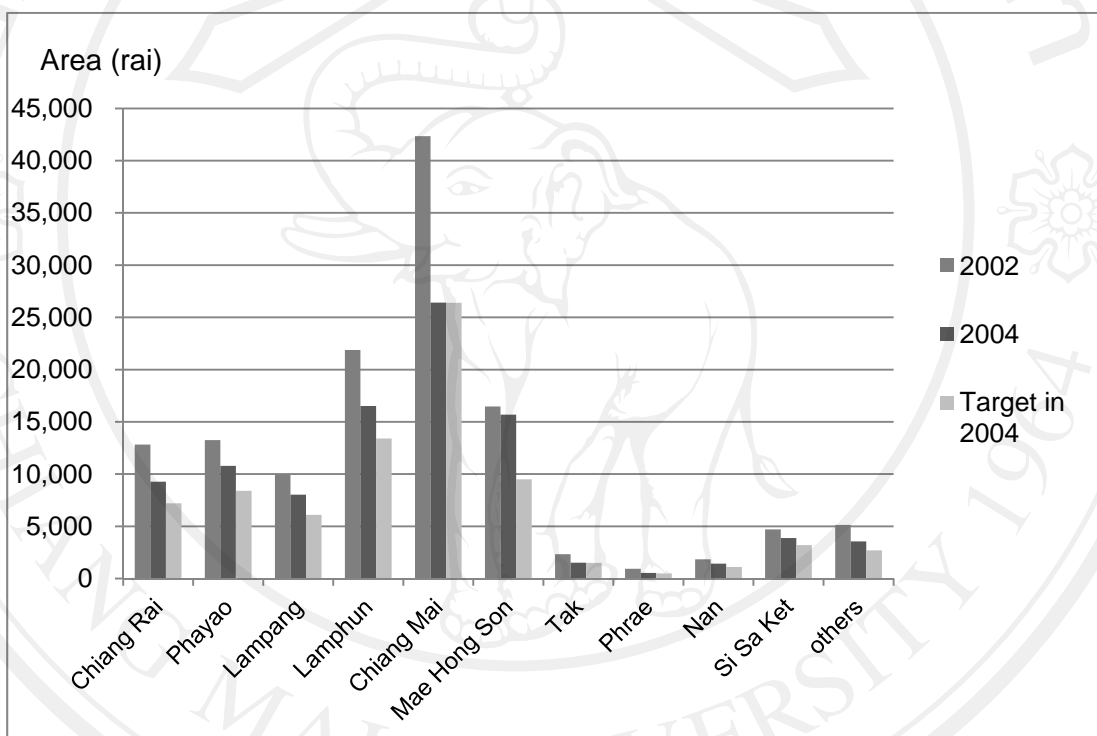
program to reduce the garlic planted acreage mainly in Chiang Mai during from 1998 to 2000 (Wisarn, 2008: 58), in compliance with a petition for support against low garlic price by alliances of garlic cooperatives in Chiang Mai Province. From 2003 and 2004, the number again dropped, and is keeping small since then till today.

The reason that planted area has decreased in 2003 and 2004 is also due to garlic area reduction program by the government as a measure against market liberalization. I provided targeted area of garlic production for the year 2003-04 by the government in Table 2.1 and actual data of garlic planted area of each province in 2002 and 2004 for comparison in the form of bar graph (Figure 2.10). I can grasp from the Figure 2.9 that, with Chiang Mai Province at the head of the list, the planted area has reduced in each province in accordance with the government plan. This original data is provided in the Appendix (Table AP.10), but from the data, it can be said that Chiang Mai Province has decreased its producing area as much as 38 percent of the area between 2002 and 2004, while Mae Hong Son, the province that reduced

Year	Targeted area size of garlic production		Area of production in 2003 (rai)	Targeted size of reduction (rai)
	Area (rai)	Product (tonnes)		
2004	80,000	76,000	132,000	52,000

Source: Office of Agricultural Economy, 'Project report for reduction of garlic production area Year 2003-04'. (from intra report by Focus on the Global South)

Table 2.1 Targeted area of garlic production in the year 2004.



Source: Office of Agricultural Economy, 'Project report for reduction of garlic production area Year 2003-04'. (from intra report by Focus on the Global South)

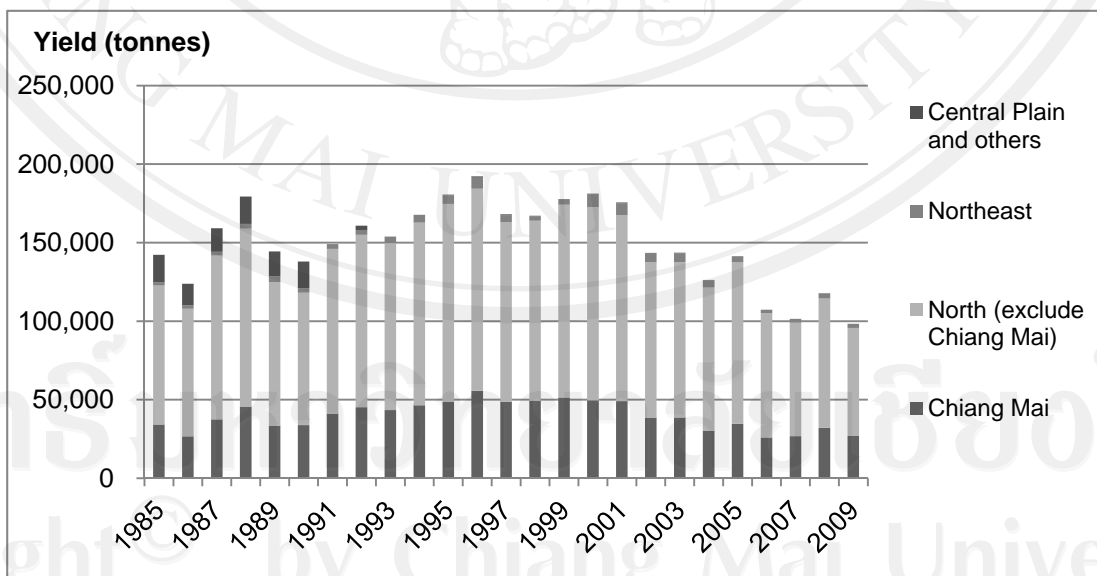
Figure 2.10 Targeted area of garlic production (each province) in 2004, and planted area of garlic in 2002 and 2004.

the least area, decreased only five percent. Mae Hong Son Province is the region where garlic production is also popular along with Chiang Mai, and it is also said that quality of Mae Hong Son garlic is better than Chiang Mai one. Thus, they also hold a large protest against trade liberalization sometimes in collaboration with Chiang Mai farmers, sometimes separately, without easily give up garlic production.

Here, the central government had planned a reduction of the area of garlic cultivation prior to the implementation of the FTA with China, but Thai NGOs that

oppose this trade liberalization points out that this plan is the evidence that the government had predicted the difficulties of the Thai local garlic farmers' survival, once garlic trade was liberated with China. The government promoted trade liberalization with China for the sake of the larger benefit, knowing that it would damage domestic garlic cultivation, and thus they intervened with the garlic production and promoted its reduction. This is a piece of evidence that trade liberalization is the state mechanism, and under it, it is considered that the sacrifice of the small and weak is permissible.

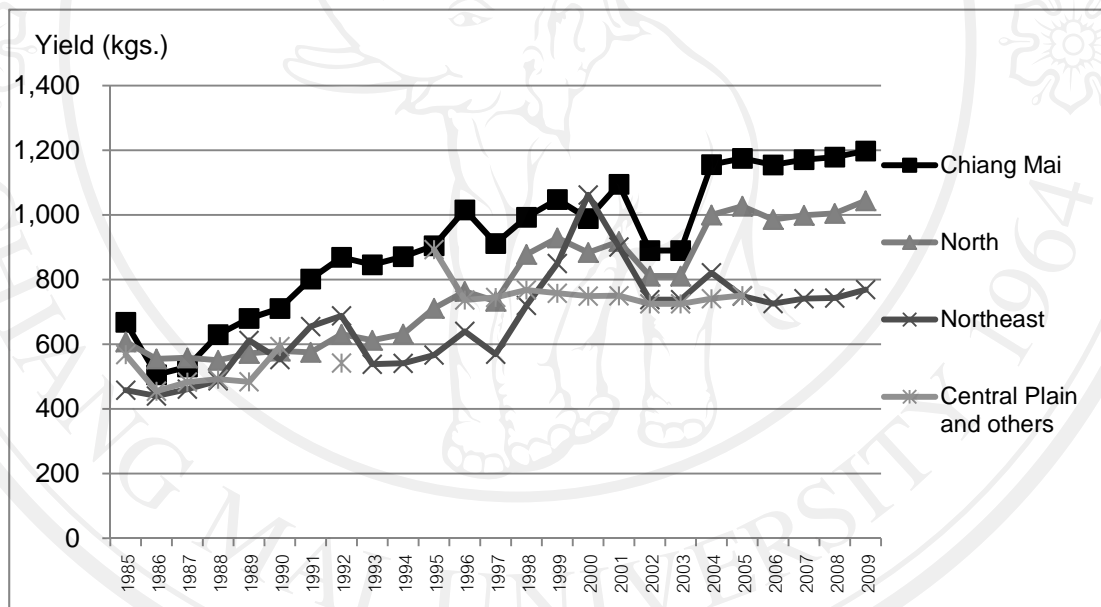
The graph of garlic planted area (Figure 2.8) as well as of garlic yield (Figure 2.11) shows that the most garlic producing region is the northern region in Thailand. Among the North, the most garlic producing province is Chiang Mai Province followed by Lamphun and Mae Hong Son Province (cf. Table 1.1, 1.2 in Chapter 1 and Table AP.9-AP.13 in the Appendix). In Chiang Mai Province, Si Dong Yen Sub-district of Chai Pra Kan District is famous for garlic production, and thus I chose a village in Si Dong Yen Sub-district for my research site.



Source: Agricultural Statistics of Thailand 1984-2008.

Figure 2.11 Garlic yield in Thailand.

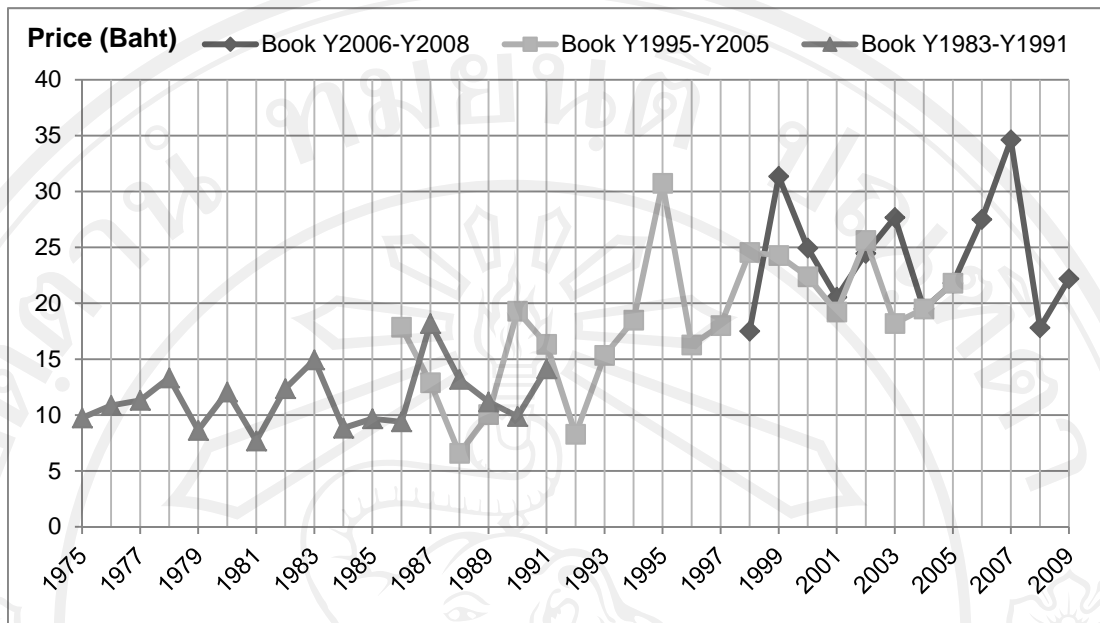
The reason that garlic production is popular in Chiang Mai Province is partly explained by high productivity as I see in Figure 2.12. Although the yield is lower when it is compared with China, yet garlic yield of Chiang Mai actually shows good productivity in comparison with other regions of Thailand as well as in comparison with its past as a result of improvement of agricultural technology. During my field research, farmers in Si Dong Yen Sub-district proudly told me that the soil was very good; suitable for garlic production, that water was also rich, and that thus the quality of garlic in the region was good. Judging from the data of productivity per *rai*, the farmers' words are not altogether wrong.



Source: Agricultural Statistics of Thailand 1984-2008.

Figure 2.12 Garlic yield per *rai* in Thailand.

Now I want to look at the price of garlic in Thailand. In the Figure 2.13, three kinds of price lines are shown but this is because the original data in Agricultural Statistics of Thailand is given like this depending on the year the books were issued. It is speculated that the method or the timing to take data was changed as years pass, but since the detail is not recorded; I copied the data here as it is shown in the statistics of the books. The source of data does not say whether price is of fresh garlic or dried garlic, but from the comparison of the recent data of the graph with my field



Source: Agricultural Statistics of Thailand 1984-2008.

Notes 1: The legend title of the “Book Y2006-Y2008” means that the price provided in the Agricultural Statistics of Thailand, from year 2006 to the year 2008. Other two legend titles also follow this.

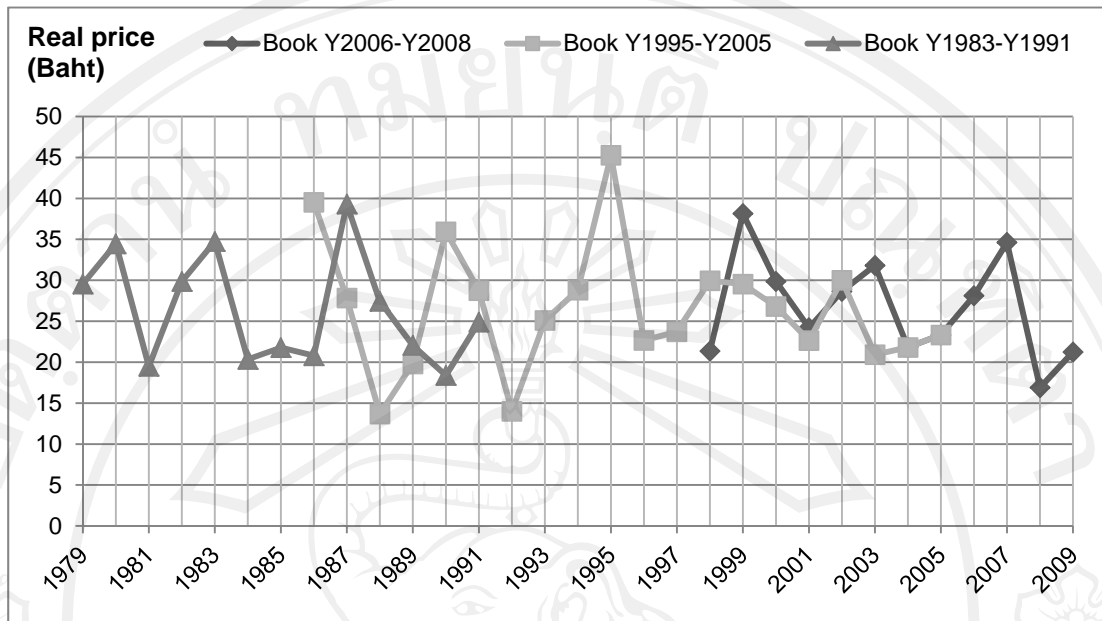
Notes 2: It is not stated in the source book that whether this price is fresh garlic or dried garlic. The price from book Y2006-Y2008 is regarded as dried garlic in comparison with the data from the author’s field research.

Figure 2.13 Market price of garlic in Thailand.

data, this would probably be of dried garlic. Generally, most of garlic farm families sell fresh garlic to the traders and the garlic is stocked at traders as dried garlic for about six months at longest. The weight of dried garlic can decrease almost one-third of the fresh one as the days move on, and the price of garlic is set up in inverse proportion to it. Since traders add their own cost, the price of dried garlic may not necessarily reflect farm gate price.

Furthermore, since Figure 2.13 is nominal market price of garlic, a transition of real market price of garlic that took the inflation rate of Thailand into account is calculated from the Figure 2.13 and provided in Figure 2.14. The reason that three kinds of price lines are shown in Figure 2.14 is same as Figure 2.13 explained in the former paragraph.

From the Figure 2.14, I can observe that the price of garlic fluctuates year by year. Although I will state in Chapter 3 that garlic is a high-risk crop, the one cause to say so is here. When I compare this price change with the transition of the size of



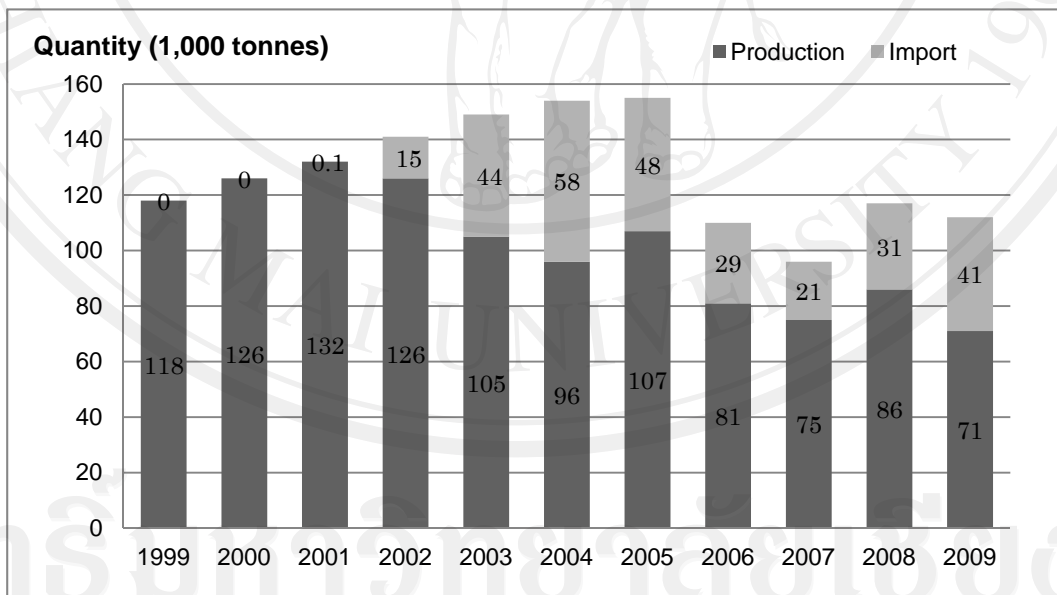
Source: Calculated by the author from the Figure 2.12. GDP deflator was gained from “Macro Economic Data of Thailand” (Bank of Thailand).

Figure 2.14 Real market price of garlic in Thailand.

garlic planted area (Figure 2.8), it is obvious that both are influenced with each other. When the price is good, the planted area increases (the year 1987 to 1988, 1995 and 1996, 1999 and 2000, for examples), and when the planted area expands too much beyond demands the price drops dramatically. The planted area also drops. Then, both numbers gradually rise again. The garlic production is the repetition of this cycle.

The relationship between the crop price and its planted acreage, however, changes after 2003, the year of trade liberalization. First, the level of garlic production drastically changes and becomes much smaller after 2004 and again 2006 as a result of the government’s reduction project. Garlic planted acreage had been around 150 thousands *rai* in the former 1990s and had been a level of a little less than 150 thousands *rai* after the latter 1990s till 2002, but it dropped into almost two-thirds to a half to after 2006 (Figure 2.8). In the meantime, when I compare the price range of the years between 1997 and 2002, with the one between 2003 and after in Figure 2.14, they are within the same range of fluctuation except for the year 2007. This shift of relationship between the crop price and its planted acreage is considered as a result of trade liberalization.

In order to grasp the relationship between Thai garlic production, its price and the trade liberalization, the last important statistic is about the import volume of garlic in Thailand⁴. Although I have already looked at the garlic production volume of Thailand previously, I put both the production volume and import volume in the Figure 2.15 so as to easily understand the impact of import on the domestic production. In accordance with the trend of world garlic trade, the source of garlic import of Thailand is also mostly from China with a very limited amounts from Myanmar. The garlic import of Thailand became recognizable since January 2002 in the graph, ahead of the implementation of the free trade pact with China in October 2003. Along with the increasing amount of import during the first three years of trade liberalization, the total amount of garlic in Thai market also gradually increased despite the effort of decreasing Thai garlic production.



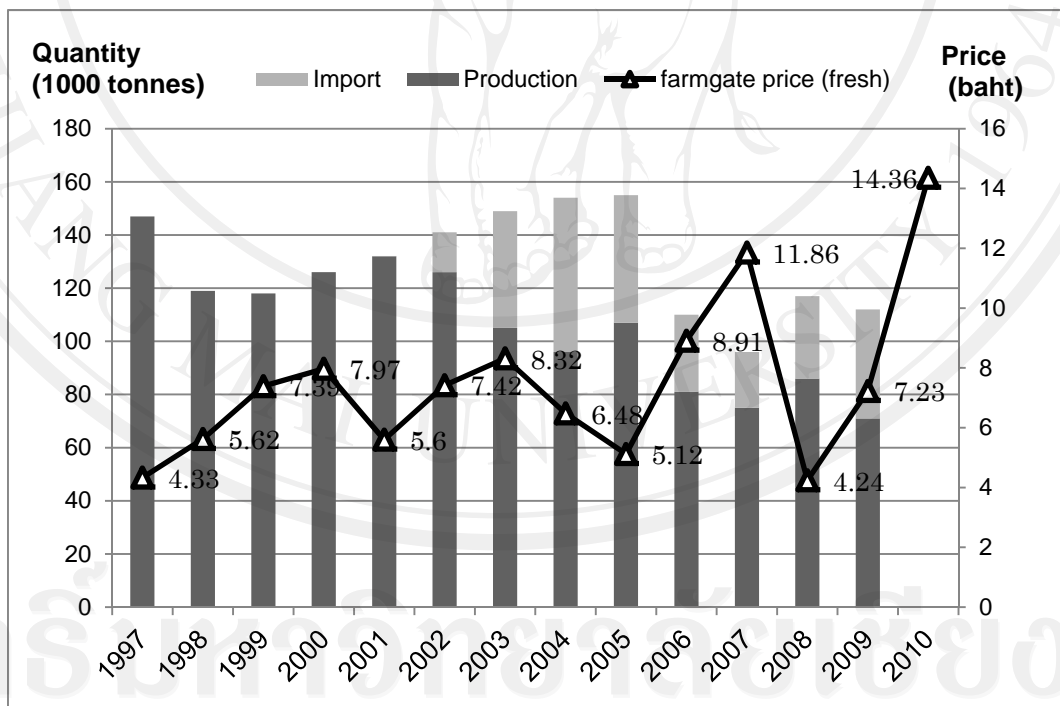
Source: Office of Agricultural Economics (Thailand) website. (<http://www.oae.go.th/>).
(Accessed in Sep 2006 and Apr 2010)

Figure 2.15 Garlic production and import of Thailand.

⁴ Thailand exports garlic as well, but the volume is almost negligible in comparison with its yield.

If I consider that the garlic yield around the year 2000 is the right amount against Thai market demand as a result of production adjustment policy during the latter 1990s, the total garlic volume that sent to Thai market in 2003 and 2005 are considered as an oversupply⁵. Consequently, price drop of the product is observed in following years as a negative impact of garlic import. The dead stock of product is also reported by farmers as is shown in Chapter 4. In a similar fashion, since the garlic import varies greatly from year to year, it became difficult to secure stable supply of domestic market, without quickly corresponding to the sudden product demand as a result of import shortage.

I also combined the above Figure 2.15 and the line graph of farm gate price of garlic (fresh)⁶ into Figure 2.16 in order to examine the relationships between the total garlic volume in Thai market and the garlic price there. From this figure, I can



Source: Office of Agricultural Economics (Thailand). (<http://www.oae.go.th/>)

Figure 2.16 Garlic production, import and price of Thailand.

⁵ Related to this, although I checked the consumption volume of garlic in Thailand through the same data source (Agricultural Statistics of Thailand), since the provided data is just equal to the supply, I could not know the real volume of the demands of garlic in Thailand.

⁶ I used farm gate price of garlic here because it reflects the price which farmers traded the crop better than market price.

notice that the price fluctuation reflects the total garlic volume of the market rather than Thai garlic yield itself. It means that while market competitiveness has increased after trade liberalization, it cannot be easily solved only through domestic effort of reducing production level as before. The domestic market went beyond the control of its nations through trade liberalization.

Furthermore, I can also find in Figure 2.16 that the fluctuation of the price became more rapid and complicated than prior to 2002. As one reason of this, it is raised the fact that while Thai dried garlic can keep in the warehouse only for about six months, Chinese garlic can keep for more than one year if conditions are good. This difference also affects the supply volume of the garlic market, in the way that the total volume of crop yield and import is not directly reflected on the price of the next year. Therefore, the relationship between the garlic volume and the price became invisible and complicated in Thailand as a result of Chinese garlic import.

Contrary to the neoliberal theory of free trade, the trade liberalization was strongly promoted by the central government for state welfare, despite the market sufficiency only with domestic garlic. Expecting the difficulty of survival of Thai small-scale garlic farmers, the government promptly launched the reduction program of garlic planted acreage. As a consequence, the planted acreage of domestic garlic became two-thirds to a half of the one of 1990s level. Adding the instable supply of and different nature of Chinese garlic to the market, price fluctuation became more rapid and complex in Thai garlic market.

2.2.3 Is FTAs the Cause of Price Drop?

Thai garlic farmers and their supporters including scholars, NGOs and media see that the trade liberalization impacted the small-scale farmers negatively, but some scholars raise an objection to this view. Since it is related to how I understand trade liberalization.

There are mainly two kinds of arguments by different scholars why they judge trade liberalization is not the cause of price drop of Thai domestic garlic. The first

debate is related to existence of quota for import of garlic and comparatively high import tax. That is to say, a quota has been set in Thailand for the import of garlic with a 27 percent tax under the FTAs (garlic was not decreased to zero percent) and it is only 65 tons per year and any import over the quota was imposed with a 57 percent tax in the same way as before the FTAs. However, the actual total import of garlic rose from 44,000 tons to 57,000 tons per year in the period from 2003 to 2005, under which situation the quota by the FTA of 65 tons is very limited. This means that the Chinese garlic had been imported even out of the quota with a payment of normal tax, and that is why the Kasetsart University research group concluded that the garlic price drop is not related to the FTAs (Research Center of Applied Economy, *et al.*, 2008).

I would like to go back to the Figure 2.15 to reflect this. The Thai import of garlic, mostly from China, has increased extremely since the year 2002, a year before trade liberalization, from zero before the year 2000 in official record, to 44,000 ton in 2003 or 58,000 ton in 2004. The year 2002 was the time when the conclusion of FTAs with China was seen as getting close through the news. Thus hasty traders made an action and came to import the product officially through Customs even with the 57 percent of higher tax.

I would like to introduce the situation of smuggled garlic in Thailand. It is said that illegal imports of garlic from China to Thailand was rampant for a long period, although the government recently strengthened the system for combating it. For example, the representatives of garlic COOP in Mae Ai District in Chiang Mai Province, which has a border with Myanmar, told me that they had sometimes seen foreign garlic brought through the border illegally. They even insisted that the reason why they could not sell garlic before 1997 was due to occupation of Thai garlic market by such smuggled garlic. They used to petition the local government to crackdown on it. Thus, there is a view that smuggled garlic would decrease as a result of transforming it to official import through FTAs (Tharatorn and Somkiat, 2005, cited in Wisarn, 2008: 25), and some hasty traders would be this case, although the smuggled garlic is nevertheless still found and seized by Thai customs officials in 2008 for instance (Bangkok Post, 17 May 2008).

In relation to this issue, an officer at Talad Thai market (Thai Fresh Vegetable Wholesale Market in Bangkok that was the largest vegetable wholesale market in Asia) told me in an interview that the number of the shops that deal with Chinese garlic has barely changed since the market was established in 1996; thirty Thai garlic sellers and 15 foreign garlic sellers (Talad Thai officer, 5 April 2008). They do not collect the data regarding the volume of the commodity that has traded in the market. Yet, the fact that the number of the stores that dealt with foreign garlic has not changed meant that Chinese garlic has been traded in Thai domestic market for over 10 years whether legally with high tax or illegally, without coming out in official record. However, the trade volume might have been smaller than today. The traders are used to Chinese garlic trade and the distribution system has been well set up. Thus, it is considered that, as is the example of some traders who imported garlic even before trade liberalization without advantage of less tax in 2002, many traders began to engage in legal import of garlic even with higher tax, outside of the quota of import volume under FTAs. In other words, the trade liberalization has given an incentive and opportunity for traders to enlarge their business of Chinese garlic in a legal way.

The above episode of transition from illegal to legal imports, however, does not mean that the total amount of garlic imports of Thailand did not increase through trade liberalization. Rather I found the increase of Chinese garlic at the local fresh markets in neighboring cities to Bangkok, for example, and the disappearance of Thai garlic as a result when I stayed there in March 2008. Several *somtam*⁷ shops I observed were using large 'Chinese' garlic instead of 'Thai' garlic. Several women whom I interviewed also told me that they use Chinese garlic when they cook food at home. According to them they notice that the taste of Thai garlic and Chinese garlic is different, but since they cannot obtain Thai garlic from the local fresh market, they buy the Chinese garlic. Similar cases have been observed in various cities in southern Thailand by Witoon Lianchamroon, a director of Thai NGO, BioThai and his research team⁸. Witoon explained that when he visited Phuket, Phang Nga, or Songkhla

⁷ A famous spicy Thai salad made from papaya. Garlic is one of the important ingredients of it.

⁸ They studied about the decrease of consumption of famous traditional Thai food, *nam prik*, partly in

Provinces in the south after Thailand's grant of FTA with China, there was not any Thai garlic anymore in the local market (Witoon, March 2008). Therefore, it is also true that Chinese garlic was imported before trade liberalization. Yet, it came to be distributed in large quantities in the local market of southern and central Thailand after trade liberalization.

The second argument to oppose the linkage between the garlic price drop and the trade liberalization is that the garlic price drops every four years – a cycle that was recognized more than 10 years before the FTAs implementation. Thus, although farmers complain about a price drop in 2005 or 2008, it is just the normal fluctuation of the garlic price, and not related to the trade liberalization (Walker, 2007c). Related to this, I would like to go back to the Figure 2.16 of page 58 and the related analysis again. I agree with the argument that Thai garlic price has been naturally fluctuated since the time long before trade liberalization, and that the price drops in 2005 and 2008 form a part of its circulation. However, at the same time, I cannot ignore the fact that the volume of Chinese garlic import has rapidly increased after 2003 in the wake of trade liberalization this time.

The market experienced an oversupply until 2005 with the garlic that is newly imported from abroad despite the domestic farmers' effort of decreasing the production. As I mentioned before with the Figure 2.8 (page 50), after Chiang Mai garlic producers decreased their planted acreage with support of the governments in 1997, the production and the price of Thai garlic showed stability. However, due to market liberalization of garlic in October 2003, Thai garlic farmers again had to decrease garlic cultivation area, and that, considerable degree of area has decreased this time on a nationwide scale. According to the government plan (Table 2.1, page 52), as much as 40 percent of planted area was recommended to cease from garlic production and 26 percent of area have actually reduced in 2004. The area has gradually decreased year by year even after that, and it finally reached the targeted area size of the government in 2007. After all, Thai garlic market gained new competitors all of a sudden from the outside instead of decreased, domestic

competitors.

For example, when the product of domestic garlic showed the least amount in more than 20 years in 2006 as a reaction to saturated market, the import volume has also decreased, making the crop price rise quickly. It became difficult for Thai farmers to control of the market supply by reacting with the consumer' demands, especially when the foreign garlic is cheaper than the domestic one. What Chinese garlic has longer storage period than Thai garlic adds complexity in control of market supply as mentioned before. Therefore, trade liberalization contributed to increase of more price fluctuation in addition to of the more competitiveness and complexity in market.

The problem seems not the price drop only but what the Thai garlic market was saturated with the foreign garlic. When I had a talk with garlic farmers or local small-scale traders in the village in 2007 and 2008, they said that the problem is that they cannot sell garlic. In trader's words, no one buys garlic because the market is full of Chinese garlic. In November 2007, I saw 30 tons of garlic remain unsold to budding at garlic COOP of Mae Ai District, Chiang Mai Province.

In conclusion, the price drops of Thai domestic garlic in 2005 and 2008 were not directly caused by trade liberalization because price fluctuation of the garlic has observed for a long time in Thailand. However, I suggest that, first, the increase of Chinese garlic import after 2002 is something that brought in the wake of trade liberalization even though it is outside of the quota under the FTAs. Second, through trade liberalization, price fluctuation became more rapid and complex. Third, the problem of the Thai garlic market is rather saturation of the market by increased supply of the Chinese garlic rather than price drop itself.

2.3 Increasing New Form of Regulations by State and Market

Trade liberalization based on neoliberal theory is a deregulation process in theory. However, Harvey (1990: 169-170) argues that it is in fact a re-regulation process, and similarly, Friedmann (1993: 52, cited in Watts and Goodman, 1997: 3) also calls the process of globalization by transnational companies, "private global

regulation.”

Before trade liberalization in Chai Pra Kan District the government had not intervened in garlic production at all except for some small support in 1992 and 1998, when the garlic farmers asked for support as the result of price drop for garlic at that time. In other words, the government took a kind of non-interference policy regarding agriculture in Chai Pra Kan District, and the farmers also enjoyed autonomy under the policy. However, after trade liberalization, various new interventions and regulations by government came to the local: (1) government recommended reducing garlic production, (2) if the farmers reduced once, the government prohibit growing garlic again, (3) government prohibited farmers to grow other five kinds of crops, (4) farmers encouraged to grow crops such as potatoes, which leads to another form of regulation through contract farming in agro food industry, (5) let farmers register as a COOP so as to easy to control and implement regulations. Thus, this is not de-regulation, but can be called re-regulation. I would like to look at these in detail below.

As a form of re-regulation through trade liberalization by the central Thai government into the local garlic production process, the government-led garlic reduction program should be mentioned. When garlic farmers protested strongly against the FTAs in the face of a steep price drop in the domestic market in 2004, the Thai government responded by setting up a support program for the garlic growers who canceled garlic production and converted their products to other fruits and vegetables, paying 1,500 to 2000 baht per *rai* in compensation. Later, in 2005, it is said that the amount of compensation was raised to 12,000 per *rai* due to strong dissatisfaction with the small size of the compensation among farmers, although, in practice, I did not meet any farmers who received this amount of money in Dong Pa Sak Village. This monetary compensation however, was provided with conditions attached. First, the compensation fee was not given for the drop in the garlic price, but for the cessation in growing garlic. Since the reduction of garlic production was introduced as a project, the farmers who were provided with this compensation were prohibited from growing garlic on the relevant land plots again. In addition, not only

garlic but also five other popular crops and fruits in the region: shallots, onions, tangerine oranges, longan (or *lamyai* fruit) and litchi, were prohibited from being grown.

As a second strand of support for the garlic farmers, the government also announced a guaranteed price of 18 baht for fresh garlic in 2005 and then 12 baht in the following year, as a response to strong demand from the garlic farmers. However, the conditions that came with this price promise were also the same as before; a requirement to cancel the production of garlic and five other items from the next year. Although these policies might appear to have been implemented out of good intentions to decrease market competition among farmers, yet the government's attempt to intervene the market is actually in contradiction of neoliberal theory by limiting farmers' free choice under the market. Rather, it represented an increase in central control and regulation.

When I asked about the government policy of decreasing garlic field, the President of the COOP in Mae Ai replied:

For this one, I can say that if the government wants to help us really, they don't have to attach conditions. The conditions seem to imply that if the government helps, we also need to pay in return. The government wanted to bargain with us. So it came up with the project of decreasing garlic field with some conditions. We could not sell garlic. So we demanded to set up the price. Ok, they set up the price at 18 baht. But they said that we have to join the project of decreasing the field.

(The President of Garlic COOP of Mae Ai, 8 November 2007)

Although the government may have planned the project for the sake for farmers, the garlic COOP understood that the government wanted individual farmers to sacrifice as well, if the farmers wanted to receive the government support. As a way of expressing dissatisfaction with the project, the President cynically describes how officers came to measure the garlic field:

When we joined the field reduction program, officers came to survey very in detail about the field we registered for the project. I have never seen the officers come to visit field before. But this time they came to measure the land.

(The President of Garlic COOP of Mae Ai, 8 November 2007)

In this phrase, that the government officers almost never visited field before trade liberalization is also mentioned, but the similar opinion on the government officials has been often heard from other garlic farmers in Dong Pa Sak Village.

The COOP President also said that six kinds of crops which the government prohibited farmers to grow are very popular crops in Chai Pra Kan or Mae Ai District. Thus, they did not know what they should grow instead:

For the field that to register for the project, --- you are prohibited to plant six kinds of crops: orange, litchi, longan, garlic, shallot, and onion... Please think about it. --- The crops they said is to fit here in terms of weather and soil. Then, we don't know what we should produce? They don't give any subsidy either.

(The President of Garlic COOP of Mae Ai, 8 November 2007)

The Secretary of the COOP who was sitting together also complained:

If they say that they prohibit producing these kinds of crops, but that they support for other things, it is ok. But in the case of our field, they don't support anything. Anything. They just prohibit. They let us decrease the field. Here, in order to use land effectively, farmers made an effort... For example, the garlic, why can we produce garlic well? It is because of cold weather. There is fog here. Garlic likes fog..., right? If the field owner decreased the garlic plot, and ceased to grow garlic, ...

(The Secretary of Garlic COOP of Mae Ai, 8 November 2007)

He meant that farmers did not know what they should grow if they were prohibited production of six kinds of crops.

The new crops which the Thai government recommended to the ex-garlic

farmers were non-traditional ones such as potato, sweet corn, sweet peppers, peanuts and rubber, and all of these crops were introduced with the contract farming system. Even before trade liberalization, farmers of Dong Pa Sak were growing potatoes, sweet corn, tomato, cabbage, and other green vegetables as supplemental crops of garlic and shallot. However, the scale of production was small in the past, and it was not through contract farming. Contract farming becomes an important point of my argument in this section because it is also said to lead to another form of regulation in agro-food industry (Little and Watts, 1994). However, I would like to look at this point in detail in a next section.

The third system of new regulation brought by the government is registration of garlic land. There are two places to register: one is with the village headman, another is at garlic COOP. As for the former, the registration with a village headman, the individual data of garlic planted area size are collected twice a year, in a garlic planting season and its harvest season. These collected data are sent to both Tambon (sub-district) Administration Office and Local Agricultural Department office. Some surveys of the fields to check agricultural land usage by the Agricultural Department have been conducted even before trade liberalization, but the data collection became more systematic and detailed than in the past. There was no system that the villagers were to report to the village headman by themselves. In Dong Pa Sak Village, for example, among the various agricultural crops, the data which farmers have to register with the village headman is only garlic and shallot. Thus, the data collection by the government is related to trade liberalization, or at least market competitiveness.

Garlic farmers report their garlic land size rather honestly, especially after trade liberalization, partly because they think that it might be a channel to receive support from the government when garlic production faces a problem – such as a price drop – again someday. In other words, they are afraid of being excluded from other garlic farmers if they did not register. From the government's side, it clearly says that garlic farmers who once reduced their garlic production level, should not cultivate garlic again, and that should these farmers go back to garlic production, the government would not help any more. On the other side, it continues the garlic land

registration policy, through which it is possible for the government to know who are garlic producers, when necessary. If an identification card is one way to control its citizens, this registration also makes it possible to strengthen central control over farmers.

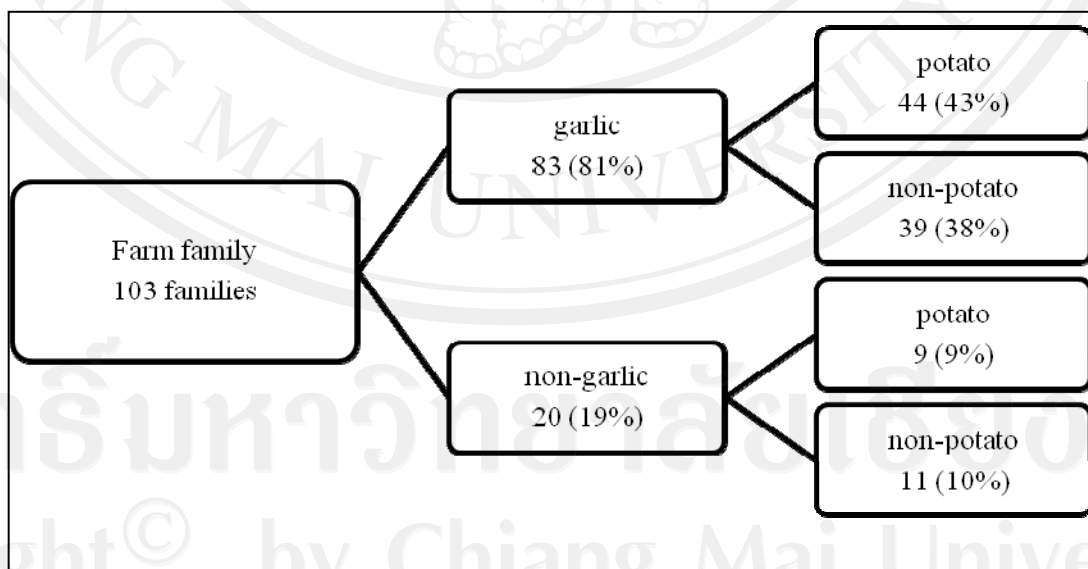
The other type of registration is to become a member of garlic COOP. In the aforementioned government support to guarantee garlic price in 2004 or 2005, the compensation fee was paid through garlic COOP. Thus, in Chai Pra Kan District, many farmers newly became a member of garlic COOP at that time, by paying the membership fee to the COOP. The COOP president and secretary say that the COOP has always played a role to contact government officers in terms of economic policy. For example, when price of garlic is low, they present the government with a petition for help. However, when I asked the garlic farmers who did not join the garlic COOP previous to trade liberalization about its reason, most of them answered me that the COOP just sold agricultural fertilizers and chemicals in the same way as other private shop and that it had never been helpful. A farmer even said that it just follow the government. However, when the garlic price dropped after trade liberalization, or even before it, it is true that the network of garlic COOPs from several districts played a main role to ask a support from the government, and that as a result, the government extended its support to the garlic farmers. It is easy for the government as well to distribute the money through the COOP because it has a clear membership system. But since the membership is usually not canceled even the next year and later, it leads to another kind of public registration system for garlic farmers.

In conclusion, in this section, five new kinds of regulation by the government were introduced, which is why I regard the process of trade liberalization as re-regulating process. Now I would like to look at the last form of new regulation, contract farming, in the next section.

2.4 Shifting Process of Labor Control through Potato Contract

One of the actors who gained an advantage through trade liberalization of garlic is a potato company. Although a couple of potato-chip companies had advanced into Chai Pra Kan area as a production site of potato prior to trade liberalization, only a few farm families engaged in its production before trade liberalization and not through contract farming. After trade liberalization, however, the companies could promote potato cultivation to farmers with authorization of the government in Chai Pra Kan District, and they introduced it with a contract farming system. As a consequence of strong publicity, many garlic farmers began to produce potatoes in 2004 or 2005 by cancelling or reducing their garlic production scale, although some of them gave up it in a few years partly due to the failure in production.

As of 2008, among 103 farm families in Dong Pa Sak Village⁹, 44 families (43 percent) continued farming both garlic and potato with some other corps; 39 families (38 percent) engage in garlic production and some other crops without potato production; and 9 families (9 percent) became non-garlic, pro-potato producers



Notes: The number of the outside parenthesis is the number of farm families.

Figure 2.17 Involvement in potato production of Dong Pa Sak farm families.

⁹ I conducted the household survey of the half or 242 households in Dong Pa Sak Village in April 2008. Among them, 103 families engaged in farming.

(Figure 2.17). When I consider the fact that more than half ratio of farmers engage in potato production under contract farming system, it was an arrival of system of flexible accumulation in a larger scale with an endorsement from the government.

Forms and conditions of contract farming in potato production in Si Dong Yen region are various, although it is safe to say that most of them take a form of subcontract through the mediation of brokers. According to farmers in Dong Pa Sak Village, the companies who make a contract with them for potato production are the US originated potato-chips company, the Frito-Lay, and the Siam Snacks, Co. Ltd. But since those who come to contact and buy the farmers product are brokers, sometimes farmers do not know to whom they sold their potatoes. Accordingly, the forms and conditions of contract depend on those brokers. Some brokers let farmers take care all by themselves after telling the guaranteed price of the crop and making a contract. Some brokers bring all necessary goods from seeds to agricultural fertilizers and chemicals, teach how to take care of potatoes, and buy the harvested crops at guaranteed price, while extracting all the costs of production during the crop production process from the final sale of the produce before giving money that is left to the farmers. Mr. Kiat of Dong Pa Sak Village, who started potato production after trade liberalization and actively produces various kinds of crops including garlic and potato today, told me when I asked about potato production:

For potato, the sale is good, but the cost is also a lot. I have to invest them by myself. And for some costs, I have to pay back to the company... The company only guarantees to buy the products. But for the expenses, I have to invest by myself from seeds, fertilizers, chemicals, to the wage for labor... I have to pay all by ourselves.

(Mr. Kiat, a man in his early 30s of Dong Pa Sak Village, 28 May 2008)

According to him, the company pays for the potato around 12 to 12.5 baht per kilogram at the rate of the year 2007 and 2008. For some costs, he paid by himself while using, and for some costs, he has to pay back to the company after he harvested the potato and sell to the company. Related to this, I asked him whether the company

usually pays costs for potato production under the contract. He replied:

I think it depends on the company. For my case, it depends on the broker. It is a kind of a group leader. If the leader receive a contract from the company, and he owns agricultural chemicals to let farmers use, then his farmers don't have to invest so much. But for my case, there is no such leader. I have to pay cash.

(Mr. Kiat, a man in his early 30s of Dong Pa Sak Village, 28 May 2008)

Thus, there are various kinds of subcontract systems in potato production.

When the potato production was introduced around in 2005 in Si Don Yen region, many garlic farmers joined its production by using the abandoned ex-garlic fields, but why are so many farmers are interested in it this time? As I wrote before, potato is a crop which some of Dong Pa Sak garlic farmers used to grown supplementary as cash crop since many years ago. Thus Dong Pa Sak farmers are more or less familiar with it than other crops. But there are also other aspects.

First, when I hear that farmers produce crops under a contract with some companies, it seems a private matter. However, in the case of potato production this time, the government promoted the contract system. Above, Mr. Kiat talked about the meeting when the officers from the local agricultural department and a company who buys potatoes came to explain about the potato production in 2004 or 2005:

These days many farmers began to cultivate potato. In this season, only Chai Pra Kan District can produce potato, and the quality is good. Before, Chang Mai Agricultural Department held a meeting for us. They said, "Don't forget. It is the potato of this village that holds the best quality in the whole Thailand." Especially, in this season, only Si Dong Yen Sub-district is possible to grow potato. In other region, even though they grow, the quality is not good.

(Mr. Kiat, a farmer in his early 30s of Dong Pa Sak Village, 8 September 2007)

Whether or not the officer's words are true, at that time, hearing those words many farmers were convinced that potato production was the one they were looking to

replace garlic. In 2006, as part of another support program, the Ministry of Agriculture offered loans to garlic farmers at seven percent annual interest for five years, in order to help them begin contract farming within private sector (Sajin, 2007:7). Thus, although farmers need a certain amount of investment when they begin to cultivate new crop, the new loan system made it easy for farmers to start new crops under contract.

Secondly, there seems to be another aspect when I think about why garlic farmers willingly adopted contract farming system this time: that is, their familiarity with markets through garlic production. In connection with contract farming, a failure of Four Coordination Project under Agricultural Adjustment Programme in northeastern region in 1980s is famous in Thailand. The government promoted production of cashew nuts, cows, and so on by coordinating and linking its Agricultural Department, Bank of Agriculture and Agricultural Cooperatives, private companies, and farmers, but was not successful. Although the systems of the old one and Si Dong Yen's case this time are similar to each other; the former one has failed while the latter one saw a certain positive result so far. Here, the difference of Si Dong Yen's case from the past is in that Si Dong Yen garlic farmers had been exposed market system through garlic production for 20 to 30 years. They have already understood from their own experience in the past that to depend only on garlic production is not a smart way to survive as a farmer. Yet, they did not know how to solve this problem until the year 2005, when the government and companies to promoted potato production through contract farming. Many farmers caught the opportunity as if they had waited for it for a long time.

Although many Si Dong Yen farmers joined contract farming as if they finally found a way out of the deadlock, one problem with contract farming in general, is that the production system is often strictly regulated, from quality control and the way chemicals are used, to the timing of the cultivation and harvest. Marsden (1997) studied regulation in the globalised food networks and said that private firms supported by the state, came to enforce strict quality controls on smaller family producers. They controlled not only the way the farmers harvested, handled and

packed fruits, but also the timing of the process, so that the fruits would mature upon arrival at the importing countries' markets. This is a so-called 'just-in-time' system. While the actors and agencies that defined and controlled these quality conditions have begun to accumulate power in the food network, and the national government also increased the pressure on the quality control of export products, small-scale farmers have been marginalized within the external commodity market.

Now I would like to illustrate a problem in potato production through contract farming. Potatoes in Si Dong Yen region are not grown for export in the same way as in Marsden's case, as they are grown for multinational potato-chips factories. Yet, similar problems are recognized among its contract farmers. The farmers often complained how hard it was to endure the rules imposed by the parent company. For example, just like the problem of 'just-in-time' system, farmers are dissatisfied that the factory decides the date of the harvest with no consideration for the real crop condition of that season. Due to such just-in-time regulation, a certain amount of potatoes is always left on the farmland at the harvesting stage, and a certain amount of potatoes is inevitably excluded by the strict quality control at the factory gate. Mrs. Pha, who had grown potatoes for only two year, gave it up, and came back to garlic production, told me:

If potato stalks are still vivid green, it is not time to cultivate yet. We have to wait more. Otherwise potato is easy to go bad by virus. But in contract farming, the company is not interested in it. We have to harvest on the day the company assigned us in advance... In addition, the company does not buy small potato... Since the company decides the date to harvest, farmers have no freedom. The company does not buy the broken potato either.

(Mrs. Pha, a women in her mid 40s of Dong Pa Sak Village, 25 May 2008)

Finally, she asked me, "Why on the earth the company does this (decide the date of harvest)?" While we were talking about this, we concluded as follows: first, the company does not care how much of the crop farmers lost since the company pays for only what is harvested; and secondly, the company decides the date of harvest so that

the production line of its factory can go smoothly without wasting time by stopping machines.

Besides regulations on the date of harvest or the size of the product some farmers complain about unfair conditions of the contract. One farmer told me that, on the contract, it was true that his broker promised a certain purchase price – such as 12 baht per kilogram –, and that the farmer had to be sure that he would sell his products to the broker, but the contract did not necessarily guarantee the broker would buy his product after harvest. Therefore, the broker had a right to reject of purchase if he did not like the quality of the produce. The farmers see this as unfair. Similarly, another farmer told me that he made a contract with a broker at a certain price, but the final decision of purchase price was put into the broker's hands, and the broker came to tell the price a short before crop harvest.

Other newly introduced crops as alternatives to garlic in Si Dong Yen region were also mostly grown under a contract farming system. Some farmers and traders say that, in Dong Pa Sak Village, all cash crops are produced by contract farming today except for garlic and small-scale green vegetable production. For example, sweet corn production by the Charoen Phokphand (CP) Group or the peanuts or rubber plantation by other company were brought to Si Dong Yen region. The situations of contracts for other crops seem more or less similar. Yet, some farmers can make a profit through contract, while some farmers cannot. One of its reasons seems experience, as a farmer told me.

The farmers can have freedom in their production to some extent, such as whether they make a contract with the company or not, and what the price is guaranteed on the contract is good. Yet, they have lost their negotiation power over the various processes through production to harvest including harvest date and selling price of the crop, and so have been pushed into a subordinate status; controlled and regulated. Avoiding this kind of control and regulation through contract, a farmer who cultivates 20 *rai* of potato, and being successful with it for about several years, told me that he produces potato without any contract. When the harvesting time came closer, a couple of brokers come to visit him and offer a price. He sells to the broker

who provides the highest purchase price.

In conclusion, what is emphasized here is that the government intervention to regulate agricultural production and market has ironically increased after it agreed with trade liberalization. According to farmers, the government had not paid attention to farmers at all before trade liberalization whether in a good way or bad way, even though farmers asked its support many times. It had let farmers act and live freely, except for promoting some kinds of fertilizers and agricultural chemicals. However, after it implemented trade liberalization, under which it should not intervene in the market both in theory and as a rule, it has to the contrary come to interfere in market and crop production increasing its control over agricultural sector and its market. Realizing the increasing regulations in practice, some farmers come back to garlic production again. Therefore, it can be said that trade liberalization brought a shifting process of labor control between free farm operators and un-free wage workers in a form of contract.

2.5 Conclusion

In this chapter I first provided macro statistical data of Thai FTAs, world garlic production and trade, in particular of China, and Thai garlic production and trade with the purpose of introducing the background of this work. In the meantime I clarified who are the supporters of the Agreement as well as the reason why the Thai state strongly promoted it, with sacrifice of some agricultural industries including small-scale garlic production. While I read the statistical data of world garlic trade, China as its top for more than a decade, it became clear that why some scholars and NGOs alerted collapse of Thai garlic farmers if Thailand opened its domestic garlic market against China. China has been way ahead of the group in the world in terms of planted area, yield, export volume and price. With such a dominant record of China, it is obvious that Thai garlic is no much for Chinese one.

The consequence of trade liberalization was a change in the relationship between garlic production scale and the price of the commodity. Before trade

liberalization, when garlic production level decreased as a whole in Thailand as a result of strong competition in the market, the price of garlic increased and vice versa. However, since cheaper Chinese garlic flew in Thai market through trade liberalization, this relationship has disappeared. As the previous countermeasure became ineffective, both the government and the farmers ventured into new countermeasure, which brought new form of regulations.

With the data related to Thai garlic production and trade, it is also shown that while the Thai government keenly promoted trade liberalization for the sake of state welfare, it also intervened with local garlic production and recommended the reduction of the local production site of garlic in attempt of aiding small-scale farmers. Furthermore, accompanying the land reduction program by the government were conditions prohibiting future cultivation of garlic as well as other five kinds of popular crops in the region, in addition to introduction of some new crops under contract with some giant agro-food companies. The registration system of garlic farm land that can lead to the more systematic control of garlic farmers by the government, was also started after trade liberalization. Before trade liberalization it is said that government intervention was kept to a minimum, but it is ironical that its intervention was rather increased, and that economy came to be embedded in political relations through trade liberalization.

The market through the introduction of contract farming has also brought the new form of regulation. Such a change has resulted in the shift of labor control from agricultural entrepreneur to agricultural employees in a contract form. Garlic farmers used to engage in commercial production of the crop as an individual farm manager prior to trade liberalization. However, after they enter into a contract with agro-food companies, they came to be regulated in various ways in terms of time, way of management, selling price, etc.

When I look at these processes in a comprehensive manner, trade liberalization is not trade based on natural markets as neoliberal theory says, but is intentionally led by the government under the state mechanism. The government predicted the difficulty of the garlic farmers' survival in the face of cheaper Chinese

garlic. Yet, there was no choice of giving up or changing the policy of liberalization, but instead promoted its policy with a little amount of compensation to the sectors who received more negative impact. In addition, the process of liberalization of trade even caused a shift in both market structure and in local labor process: from deregulation to re-regulation.

Although the state and the market has intervened the local garlic production through re-regulation, it was not reflected as it is at the local but was rather embedded in local social practice, sometimes meeting local counter-movements. Some farmers even come back to the garlic production in despair about potato production by contract, which reveals the shifting process of labor formation between agricultural entrepreneur and agricultural employers. The reason why and the way farmers come back to garlic production discussed in detail from the next chapter.