The rapid growth of Thai telecommunication firms in the early 1990s was acclaimed as a sign of the country’s increased level of economic development. The subsequent international expansion of these firms was received with even further awe and excitement. For some, these international investments were regarded as ‘indications of the strength and readiness of the local giants in this tough business to take on international competitors’ (The Nation, 25 December 1995). Since the economic crisis began in July 1997, however, Thai telecommunication firms have been among the hardest hit. This rapid rise and fall of international investment in Thai telecommunication firms raises a variety of questions, including: how they managed to grow so rapidly both at home and abroad; where do their competitive advantages lie vis-à-vis international competitors; why have some already given up their brief exposure of international expansion; and what lessons can be learned from their experience. This contribution presents some reflections on the above questions. Utilizing the third-world multinational enterprises literature, in-depth case study methodology is employed to chart how Thailand’s Jasmine group grew from a domestic telecommunications firm into a regional player. It is argued that the Jasmine group’s competitive advantages in the domestic market are based mainly on its vast networks of connections rather than its technological or managerial expertise. The prevalent short-term and opportunity-driven attitude was translated into an internationalization strategy, which aimed mainly at reaping new opportunities in the regional market. Such opportunistic moves may have been sustained in a growing market. The limitations of such a strategy, however, were exposed in the time of contraction.
Using Dunning's eclectic paradigm, the main difference between multinational enterprises (MNEs) from developing countries and those from developed economies is argued to lie in the nature of ownership-specific (O) advantages of developing-country MNEs. In general, scholars agree that ownership advantages of MNEs from developed countries are derived from advanced proprietary technology, superior management skills or a larger capital base. Views on the nature of ownership advantages of MNEs from developing countries differ, and there are two schools of thoughts on the subject. The first group considers MNEs from developing countries as low-cost alternatives to traditional MNEs from developed countries. Ownership advantages of MNEs from developing countries are argued to lie in their lower production costs and lower prices, which can only be exploited in other developing countries with a similar or poorer economic status (see Wells, 1977, 1981, 1983; Lecraw, 1977, 1981; Kumar, 1982; and Lall, 1983a, 1983b).

The second and more contemporary approach attributes developing-country MNEs to more sophisticated O advantages (see, for example, Cantwell and Tolentino, 1990; Tolentino, 1993; Lecraw, 1993; van Hoesel, 1997; Dunning et al., 1997; Yeung, 1998), and focuses particularly on the capability of developing-country MNEs to catch up with their developed-country counterparts through the process of technology accumulation. Proponents suggest that developing-country MNEs begin their technology accumulation process from learning simple manufacturing techniques, then innovating on incremental improvements to manufacturing processes and on minor product designs, and eventually introducing new products to the market (Hobday, 1995; van Hoesel, 1997). This view was strongly advocated in explaining the development of technology-intensive industries in developing countries (see Hobday, 1990). In his research on the development of the telecommunications industry in Brazil, Hobday (1990) stresses the role of both the state and the private sector in the process of accumulating telecommunications technology through the gradual learning from the low end of the production process.
Despite valuable insights, the literature on third-world MNEs is not without limitations. For instance, most studies concentrate on the industry rather than firm behaviour, with a heavy bias toward manufacturing (Yeung, 1994: 305). The theory development is derived from four East Asian newly industrialized countries (Hong Kong, Taiwan, South Korea and Singapore). Although some similarities with other developing countries may prevail, 'the East Asian model' is not representative of all developing countries (see, for example, Perkins, 1994; Jomo et al., 1997; Petri, 1997). Finally, and most importantly, the tendency to compare MNEs from developing countries to their developed-country counterparts often leads to misleading stereotypes. For instance, while MNEs from developed economies are portrayed as large, capital- and technology-intensive, innovation-driven and vertically, horizontally and globally integrated; those from developing countries are believed to be small, labour-intensive, low in technological capability and limited to regional investments (Yeung, 1994: 301). Although the emphasis has recently shifted to the capability of these MNEs to accumulate technology, the implication of the international expansion of third-world MNEs remains rather deterministic. Only through a low-cost strategy or an incremental learning process can multinationals from developing countries emerge. Such interpretation is far too limited to capture the complexity and the diversity of the emergence of developing-country MNEs.

The above limitations result partly from the comparative approach adopted by most studies on developing-country MNEs. The primary drawback of the comparative approach is that it explains only what makes one group different from another (Limlingan, 1986). Because the purpose of the comparative approach is to highlight static differences between groups, explanations on how each group has reached its current position are often ignored. Much ink has been spilled on how developing-country MNEs differ from their competitors from advanced economies, but little is known about how they function in their own context and how their domestic development may influence their behaviour in international markets.

Some insights can be drawn from the literature on late industrialization. The timing of a country's entry into industrialization has been discussed as one of the most important factors affecting
domestic firms' strategy (Amsden, 1989, 1995; Amsden and Hikino, 1993, 1994; van Hoesel, 1997; Kock and Guillén, 1998). Whereas firms from early-industrialized countries benefit from technology inventions and innovations, firms from late-industrializing countries have to rely mainly on borrowing and improving on the already available technologies. Without proprietary technology in new products and processes, firms from developing countries are likely to depend on an additional set of generic skills that are not product- or process-specific and that can be transferred to various unrelated functions or industries (Amsden and Hikino, 1994; Kock and Guillén, 1998).

According to Kock and Guillén (1998), one of the most significant skills for developing-country firms is the 'contact capability', the ability to utilize different types of contacts as competitive resources. Because markets in developing countries are often characterized by imperfections in market information and access, the ability to overcome these imperfections through the use of contacts and connections becomes the most important competitive strategy of domestic firms in their initial development. In her study of the evolution of South East Asian business, Lim (1996) argues that the main competitive advantage of South East Asian firms is derived from their vast network of connections. The rapid growth of the pre-crisis period had favoured and rewarded opportunistic, risk-taking and entrepreneurial activities which were based on connections and relationships (Lim, 1996: 53).

Prior to the economic crisis, South East Asian firms' reliance on connections was regarded as a distinctive cultural phenomenon, resulting from the hierarchy-based society and informal interpersonal trust. Proponents supported the view that cultural differences in Asia could influence the way local firms behave and that personal networking was appropriate given their environmental context (see, for example, Redding, 1990 and 1995; Hamilton and Biggart, 1988; Biggart and Hamilton, 1990; Orru et al., 1991). Post-crisis critiques, however, argue that the connections-based way of doing business was one of the major causes of the economic crisis. From the praise that 'Asian networks' had contributed to the 'Asian miracle'; the world is now inundated with comments on how 'Asian cronyism' brought about the 'Asian debacle'.

It cannot be denied that personal networking could result in reckless investments or even outright corruption. However, to
blame all that went wrong in Asia on sins of crony capitalism is far too simplistic an explanation. As Johnson (1998: 655) stated, ‘crony capitalism was not the intent but a by-product of the structural characteristics of the Asian-type economies’. This is not to deny that Asian firms’ heavy reliance on personal networks plays no role in their present decline, but to say that ex post analyses should also take into consideration specific characteristics of the phenomenon they are scrutinizing. Given all the relevant literature discussed above, this contribution attempts to explain the mechanism that drove the domestic and international growth of a Thai telecommunications firm and to understand how such mechanism became vulnerable in the recent economic context.

INDUSTRY BACKGROUND

The telecommunications industry in Thailand had been a public monopoly until some forms of liberalization were introduced in the late 1980s. Currently, three government agencies are responsible for telecommunications services: the Post and Telegraph Department (PTD); the Telephone Organization of Thailand (TOT); and the Communications Authority of Thailand (CAT). All three agencies report to the Ministry of Transport and Communications (MTC). While the TOT has monopoly control over domestic telephone services and international long-distance services to Laos and Malaysia, the CAT controls the country’s postal services as well as all international telecommunications services. The PTD is responsible for radio-based and satellite-based services (Srisakdi, 1994).

The recent development of telecommunications technology has led to an integration of various services in the industry. For instance, satellite technology can be used for mobile phone as well as other data transmission methods. As a result, the authorities and functions of the three government agencies, which were previously separated, have increasingly overlapped. Apart from overlapping functions, the lack of cooperation among relevant agencies, strong political interference, poor management and limited investment contributed to the underdevelopment of telecommunications infrastructure in Thailand (Business in Thailand, November 1989: 28).4

Rapid economic expansion after 1985 increased the demand level for basic telephone services. Given the resource limitation of
the Thai government, privatization of state enterprises was seen as the only way to meet the government's target of ten telephones per 100 people by the end of 1996 (Piché et al., 1997: 63). However, because the direct method of selling public assets to the private sector was strongly opposed, and the laws prevent the private sector from owning telecommunications facilities, the Thai government turned to other forms of private sector participation such as concession-based agreements or turnkey projects (Kraiypudht, 1993: 289–90). The government introduced the build-transfer-operate (BTO) system to enable it to benefit from the private capital and expertise without giving up ownership in the telecommunications networks. Under these BTO concessions, the awarded companies build the telecommunications networks, transfer ownership to either TOT or CAT, and then operate the networks on a revenue- or profit-sharing basis (Harrington, 1995: 94). The introduction of the BTO system has led to the rapid emergence of several local telecommunications firms since the early 1990s. Before discussing the domestic development and international expansion of the Jasmine group, a brief introduction to the four most influential domestic telecom groups is presented to provide the context of domestic competition.

Major Players: The Big Four

In the Thai telecommunications industry, the strongest and most influential domestic firms are fixed-line and mobile network operators. Equipment manufacturers play a relatively restricted role compared to service providers. An oligopoly of four to five network carriers plays the most important role in the industry (Nanthapong, 1996: 41). The so-called 'Big Four' are the four major government concessionaires: two fixed-line carriers with geographically based fixed-line concessions (TelecomAsia and TT&T) and two mobile phone carriers in direct competition with each other (Shin Corp and Ucom) (Corporate Thailand, September 1996).

TelecomAsia (TA) holds a 25-year concession to install and operate 2.6 million telephone lines in the Greater Bangkok areas (a concession of 2 million lines was awarded in 1991, and an additional 600,000 lines in September 1995). TA is the first private-sector company allowed to provide local telephone services, an area long monopolized by the TOT. As part of the
Charoen Pokphand (CP) group, TA benefits from CP's assets including political connections and financial resources. With no previous experience in telecommunications, the way in which TA won its concession from the TOT remains one of the most controversial stories of Thailand's privatization history (see Sakkarin, 2000).

Thai Telephone & Telecommunications (TT&T) is a consortium led by Jasmine International and the Loxley group. TT&T won the contract to install and operate one million phone lines in the provinces outside Bangkok in 1992, and an additional 500,000 lines in 1995. Details of the consortium will be discussed further in the following section.

The third major player is the Shinawatra group. The group changed its name to Shin Corp in 1999, allegedly to separate the group's identity from its founder's political activities (The Nation, 22 June 1999). The group's key subsidiary, Advance Info Service (AIS), was granted a 25-year concession from the TOT to operate a cellular telephone service in 1990 (Tisco, 1998). The group's other telecommunications activities include satellite communication services and paging services.

The last among the Big Four is the United Communication Industry (Ucom) group. Ucom's flagship company, Total Access Communication (TAC), is in direct competition with Shin Corp in mobile telephony. TAC was awarded a 27-year concession to provide mobile telephone service from the CAT in 1990 (Tisco, 1998). The group also holds two other concessions to operate paging and trunked radio services. AIS and TAC are the two largest mobile phone companies, controlling more than 90 per cent of the market among themselves (Tisco, 1998).

With the exception of TA, the other three have had some experience in activities related to the telecommunications industry. While Ucom started off as telecommunications equipment distributors for foreign multinationals, Shin Corp began as a computer system integrator and later expanded into telecommunications. Jasmine International, the largest shareholder in TT&T, began as a turnkey engineering consultant for the TOT. The four groups altogether hold most of the concessions awarded by TOT and CAT. The following section details the growth and development of the Jasmine group.
THE JASMINE GROUP: GROWTH AND DEVELOPMENT*

The Jasmine group had a modest beginning in 1982 as an engineering consultancy with an initial registered capital of Bt1 million. Within less than two decades, the group has expanded rapidly and become one of the largest telecommunications firms in Thailand. Before its latest consolidation in 1999, the group comprised 16 subsidiaries and associated companies with a registered share capital of Bt3,336 million (US$ 90 million) and a total revenue of approximately Bt7 billion (US$ 190 million). At its peak in 1996, the group employed 1,853 employees, consisting of 24 per cent engineers, 26 per cent technicians and 50 per cent administrative staff. The group was involved in five lines of business: telecommunications operation; service and distribution; manufacturing; international investment; and energy. However, activities in manufacturing and energy have been dropped since 1997. This section discusses Jasmine’s growth in three major phases: turnkey engineering (1982–92); telecommunications services (1992–97); and international expansion (1994–97). This division is based on the group’s most outstanding activity during each period.

Turnkey Engineering (1982–92)

The beginning of the Jasmine group dates back to 1982 when Adisai Bodharamik founded Jasmine International (JI) as an engineering consultancy. Prior to starting the company, Adisai had worked at the TOT from 1962 to 1978 (Who is Who in Business, July 1995). During its early years, JI focused mainly on turnkey engineering activities, which involved system design, equipment selection and installation, system implementation and testing as well as maintenance services. Its main customers were state agencies, particularly the TOT.

It was only in the late 1980s that Jasmine expanded into telecommunications. The industry attracted much interest from the private sector as the government introduced privatization through the contract-based system. Two major concessions obtained from the TOT in 1988 and 1991 marked the group’s beginning as a telecommunications service provider. The first one was a 15-year concession to install and provide satellite communication networks and the second was a 20-year concession to build and operate a
submarine fibre-optic network in the Gulf of Thailand. Jasmine set up two wholly owned subsidiaries (Acumen and Jasmine Submarine Telecommunications, JSTC) for these tasks.

Although the group’s operations in the first decade were predominantly characterized by its specialization in turnkey engineering activities, Jasmine began to expand into telecommunications as new opportunities emerged in the late 1980s. Following a golden period of rapid growth and expansion in a wide variety of telecom activities, the group expanded its domestic and international operations between 1992 and 1997.

*Telecommunications Services (1992–97)*

The group’s low-profile operations in the first decade changed tremendously after 1992, when the consortium led by the group won the one-million-phone-line concession from the TOT. Jasmine was a major shareholder in Thai Telephone & Telecommunications (TT&T), one of the two concessionaires of TOT’s infamous three-million-line project. Other shareholders included Nippon Telegraph and Telephone of Japan, the Loxley group and Italian-Thai Development. TT&T was awarded the concession to install and operate 1.5 million telephone lines in Thailand’s provincial areas. The concession was to last 25 years, with an exclusive five-year protection period.

With more areas of telecommunications services opening up in the 1990s, the Jasmine group diversified into a variety of value-added services such as paging and data communications. New companies were also set up to provide related services to the group’s existing subsidiaries. When TT&T began its installation work, the group had various subsidiaries supplying equipment or providing necessary services to TT&T.

Like other telecommunications firms, the Jasmine group turned to the stock market as a major source of capital. The group was able to list both its holding company, Jasmine International, and TT&T in 1994. Despite the public listing, the largest shareholder remains the founder’s family. Adisai Bodharamik alone had held more than 65 per cent of registered shares until he transferred 25 per cent of his holding to his only son in 1996. Altogether, the Bodharamik family hold a total of 68 per cent of the equity.

The second decade of the Jasmine group was characterized by extensive diversifications in both telecom-related and non-telecom
industries. Jasmine's interests in non-telecom industries emerged in the second half of the 1990s and included investment in the energy sector, real estate and a brief flirtation with commercial banking. Apart from domestic expansion, the group also began its investment abroad during this period. The next section looks at the group’s international expansion in more detail.

International Expansion (1994–97)

During the period of rapid expansion (1994–97), the Jasmine group began to explore opportunities abroad. In 1994 the group set up Jasmine International Overseas (JO) as its international investment arm, handling all the overseas activities of the group. The first international expansion came in 1994, when the group acquired 49.75 per cent of PT Mobilkom Telekomindo of Indonesia. Mobilkom has been granted the build-own-operate licence from the Indonesian government to operate a national trunked mobile radio network.

Between 1994 and 1997 the three main international projects were: the Asia Cellular Satellite System (ACeS) project; JT Mobiles in India; and Island Country Telecommunications in the Philippines. ACeS was to provide satellite mobile telephone services across the Asian region. The project was initially a three-partner joint venture among Jasmine, Pasifik Satelit Nusantara (PSN) of Indonesia and Philippine Long Distance Telephone (PLDT). For its project in India, Jasmine was part of a consortium that included three local companies as well as Telia of Sweden. Jasmine also held a 40 per cent stake in United Telecommunications, an equipment manufacturer that was one of the three Indian firms in the consortium. JT Mobiles has been awarded licences to build and operate cellular telephone services in Andhra Pradesh and Karnataka. Service began in 1997 and the company expects to break even in 2000. The third project was a 19 per cent investment in Island Country Telecommunications, a joint venture between Jasmine, the Italthai group and Guoco Holdings of the Philippines. In addition, Jasmine held a small equity (2.36 per cent) in Digital Telecommunications (Digitel), a land-line telephone operator in the island of Luzon.

Besides these actual investments, the Jasmine group also announced its participation in two other projects in Vietnam and Nepal. In Vietnam, the group held a 21.5 per cent interest in
<table>
<thead>
<tr>
<th>Company</th>
<th>Country</th>
<th>Year</th>
<th>Equity (%)</th>
<th>Project Value (US$m)</th>
<th>Type of Activity</th>
<th>Partners</th>
<th>1999 Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>PT Mobilkom Telekomindo</td>
<td>Indonesia</td>
<td>1994</td>
<td>49.75</td>
<td>10 (regist. cap)</td>
<td>Trunked mobile radio network</td>
<td>PT Mobilkom Telekomindo; Goldman Sachs (5%)</td>
<td>Cancelled</td>
</tr>
<tr>
<td>PT Asia Cellular Satellite (ACeS)</td>
<td>Asia</td>
<td>1995</td>
<td>33.33</td>
<td>750</td>
<td>Satellite phone network</td>
<td>PT Pasifik Satelit Nusantara (PSN); Philippine Long Distance Telephone (PLDT)</td>
<td>Retain only 9.9%, the rest sold to PSN, PLDT, and Lockheed Martin</td>
</tr>
<tr>
<td>Nam Theun2</td>
<td>Laos</td>
<td>1995</td>
<td>10</td>
<td>1,500</td>
<td>Hydroelectric power</td>
<td>Phatra Thanakit; Ital-Thai; Transfield (Australia); Electricite de France</td>
<td>Cancelled</td>
</tr>
<tr>
<td>JT Mobiles</td>
<td>India</td>
<td>1995</td>
<td>13</td>
<td>17</td>
<td>Cellular telephone</td>
<td>Telia (26%); TOT (10%); Sanmar Electromics; United Telecoms</td>
<td>Jasmine’s stake on sale</td>
</tr>
<tr>
<td>United Telecom</td>
<td>India</td>
<td>1995</td>
<td>40</td>
<td>n.a.</td>
<td>Equipment manufacture</td>
<td>United Telecoms</td>
<td></td>
</tr>
<tr>
<td>Island Country Telecommunications</td>
<td>Philippines</td>
<td>1996</td>
<td>19</td>
<td>10.8</td>
<td>Paging services</td>
<td>Ital-Thai; Guoco Holdings (Philippines)</td>
<td></td>
</tr>
<tr>
<td>Digitel</td>
<td>Philippines</td>
<td>1996</td>
<td>2.36</td>
<td>250 (regist cap)</td>
<td>Fixed line operator</td>
<td>JG Summit (Philippines); Cable&amp;Wireless (28%)</td>
<td>All sold to Inq Baring (Phil.) and Merrill Lynch</td>
</tr>
<tr>
<td>MC Management</td>
<td>Nepal</td>
<td>1996</td>
<td>70</td>
<td>3-4</td>
<td>Paging services</td>
<td>n.a.</td>
<td></td>
</tr>
<tr>
<td>NewTel</td>
<td>Vietnam</td>
<td>1996</td>
<td>21.54</td>
<td>20 (regist cap)</td>
<td>Equipment</td>
<td>Sigel (VN); Goldman Sachs; Ital-Thai; One Holding; CKDŚ Thailand; Nikko Securities</td>
<td></td>
</tr>
</tbody>
</table>

Source: Jasmine annual reports, 1996, 1997; 56-1 forms, 1996, 1997; Stock Exchange of Thailand; various publications
Newtel, a manufacturing joint venture led by Ital-Thai Development (*The Nation*, 18 July 1995). The investment in Vietnam had yet to take place when the economic crisis broke out in 1997, and has since been put on hold. Similarly, the group’s investment in Nepal has been suspended. Jasmine had announced earlier that it acquired a 70 per cent equity in MC Management, a company that was awarded licences from the Nepalese government to operate radio paging services.

Like Thailand, other countries in the region have been embarking on the process of privatization or liberalization of the telecom industry. Jasmine joined other regional telecom firms (for example, Singapore Telecom, Hong Kong Telecom and Telstra of Australia) to venture into regional markets. During 1994–7, Jasmine increased its international exposure by entering Indonesia and the Philippines as well as India. Details of Jasmine’s international activities are summarized in Table 1.

**BUILDING UP OWNERSHIP ADVANTAGES AT HOME**

As mentioned earlier, the literature suggests that ownership (O) advantages of MNEs from developing countries can be derived from their lower costs or their capability in improving their technological skills through learning. Hobday (1990) argued that the O advantages of telecom firms from developing countries were accumulated through an incremental learning process, which started from manufacturing equipment and gradually progressed to operating telecom systems. Once technological capabilities in operating and managing small systems are achieved, developing-country telecom firms can then proceed to more technologically complex systems.

The rapid development of the Jasmine group, however, does not quite fit the above explanation. Although the group’s emergence was built on a certain level of technological know-how in the telecommunications industry, a closer look at the group’s experience showed that its O advantages in the domestic market resulted not so much from its technological skills, but more from what Kock and Guilléén (1998) called ‘contact capabilities’, the abilities in using contacts and connections to bring about favourable results.

With regard to Jasmine’s levels of technological skills, let us first consider which type of technology is fundamental to the group’s
growth. Natthapong (1996: 49–50) argued that there are two kinds of technology involved in the telecommunications industry. The first is the technology embedded in telecommunications equipment and hardware, and the second is that of managing and operating telecommunications systems. According to him, there are few telecommunications firms in the world that ‘own’ the former type of technology, due to the high cost of research and development required in the development process. Most telecommunications system operators, regardless of their country of origin, are dependent on telecommunications equipment bought from various suppliers. Natthapong therefore argued that not ‘owning’ technology in equipment and networks was not a critical weakness for Thai firms as long as they could freely source equipment and networks from any supplier.

It is therefore the second type of technology that matters more to Thai telecommunications carriers. The experiential knowledge of operating and managing telecommunications systems cannot be purchased in a package and has to be accumulated through the process of learning by doing. Western telecommunications firms certainly possess more skills and knowledge than Thai firms thanks to their longer experience. However, Natthapong argued that Thai telecommunications firms should be able to compensate for their lack of experience through their better understanding of the local market and its institutional environment.

A similar view was expressed by a senior Jasmine executive, who explained that most telecommunications operators in both developed and developing countries were equally dependent on suppliers’ hardware technology (interview, 6 January 1999). According to him, the competitive edge of Thai telecommunications service providers was built on know-how in operating and managing telecommunications systems, rather than on manufacturing technology. For this reason, the Jasmine group chose to procure almost all of its hardware and equipment from foreign suppliers. The group did engage in some manufacturing of basic telephone cables and wires, although the amount and significance of equipment supplied by its manufacturing subsidiaries were negligible.

With regard to management and know-how, Jasmine benefited from its own learning as well as from the expertise of other foreign multinationals. Technological skills were acquired from foreign
experts through both equity partnership and contract-based ties. Foreign technology partners could provide skills in operating specific telecommunications systems and networks, though they were less capable of instructing Jasmine on issues specific to the Thai market, especially consumer behaviour. A senior executive stressed the group’s ability to reduce the costs of imported technology by replacing some parts with cheaper inputs from other sources. He claimed that the group’s knowledge of the available technology enabled it to choose equipment from different suppliers and to design an optimum system with lower costs (interview, 15 December 1998). Such ability is considered valuable for telecom firms in developing countries, which generally lack the necessary knowledge and experience to plan and specify the necessary equipment (Inkelbrecht, 1995: 199).

The assertion that Jasmine’s engineers mastered skills in system design and equipment selection was, however, opposed by an expatriate telecommunications expert who had had long experience working with Thai telecom firms. He explained that, in the process of bidding for the supply of equipment for telecom infrastructure projects in Thailand, system design, equipment selection, project costing and installation procedures were carried out not by Jasmine’s (or other Thai telecom firms’) engineers but by suppliers’ technical teams. According to him, the role of Jasmine’s engineers was to understand all the procedures mentioned previously, approve them or suggest additional changes. Once selected, the supplier would send in a team responsible for executing the project, while Thai engineers worked alongside for training purposes. In general, the training’s main objective was to enable Thai engineers to take over the running of the network after two to three years. He therefore suggested that Thai engineers, once trained, would have the general working knowledge of the network. He strongly disagreed, however, that Thai telecom firms could claim that they were well equipped with the skills required in system design and equipment selection.

Whether or not Jasmine has achieved such a level of engineering skill remains debatable. On the contrary, it is rather obvious that Jasmine’s skills in managing and marketing its networks can still be improved. A close look at its operations shows that Jasmine has been largely relying on operations in semi-protected markets, where entry is granted through concessionary rights and where
competitors are scarce. Moreover, the group's revenue structure (see Table 2) and details of key customers for each subsidiary (see Table 3) show that the better-performing subsidiaries are the 'cash-cow' projects, those with government concessions, and those which benefit directly from the 'cash-cows'. As shown in Table 2, the two top earners that have contributed largely to the consolidated group's financial status are Acumen and Jasmine Submarine Telecommunications (JSTC), two key concessionaire of the TOT. Moreover, TOT is the only customer for these two subsidiaries and is expected to pay a fixed sum of revenue to them over the concession period. This explains why, despite the financial difficulty resulting from the currency devaluation in 1997, these two subsidiaries remain the best performers of all the group's subsidiaries. In 1997, Acumen and JSTC together contributed more than 40 per cent of the group's consolidated revenue (see Table 2). Apart from these two, other subsidiaries with satisfactory performances are spin-offs whose main objective is to serve associated companies within the group. Table 3 shows how Jasmine's several subsidiaries benefited from serving TT&T, the group-led consortium that has been awarded a concession to provide telephone services in provincial areas. For example, Siam Teltech derived 93 per cent of its total revenue in 1997 from TT&T alone. The amount of revenues received from associated companies in 1996 was as high as 56 per cent (Jasmine International Annual Report 1997).

Without these guaranteed conditions, the performance of Jasmine's other subsidiaries is not quite as impressive. For example, Jasmine Smart Shop, the group's retail arm, has been accumulating losses since its beginning (see Table 2). TT&T, despite its concession, has been plagued with management conflicts among shareholders as well as serious revenue miscalculations. The conflict at TT&T concerned other shareholders who were not happy at the extent to which the Jasmine group dominated and profited from TT&T (The Nation, 28 May 1996). The concession that TT&T holds translated into business opportunities for its various shareholders, although Jasmine was the one which benefited most from the consortium. The conflict resulted in a string of resignations from TT&T executives representing other shareholders. On top of these conflicts, TT&T also suffered from a severe loss resulting from its obligation to pay TOT a 43.1 per
### TABLE 2

**REVENUE AND PROFIT CONTRIBUTION OF KEY SUBSIDIARIES (PERCENTAGE)**

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<tbody>
<tr>
<td></td>
<td>Revenue</td>
<td>Profit</td>
<td>Revenue</td>
<td>Profit</td>
</tr>
<tr>
<td>Jasmine International</td>
<td>n.a.</td>
<td>n.a.</td>
<td>6.9</td>
<td>(0.74)</td>
</tr>
<tr>
<td>Jasmine Telecom Systems</td>
<td>–</td>
<td>–</td>
<td>0.7</td>
<td>0.4</td>
</tr>
<tr>
<td>TJP Engineering</td>
<td>10.8</td>
<td>7.2</td>
<td>31.6</td>
<td>7.9</td>
</tr>
<tr>
<td>Siam Teltech Computer</td>
<td>21.8</td>
<td>19.4</td>
<td>12.2</td>
<td>5</td>
</tr>
<tr>
<td>Jasmine Smart Shop</td>
<td>0.6</td>
<td>(1.3)</td>
<td>3.5</td>
<td>(0.5)</td>
</tr>
<tr>
<td>Acumen</td>
<td>12.0</td>
<td>8.3</td>
<td>11.5</td>
<td>8.2</td>
</tr>
<tr>
<td>Jasmine Submarine Telecommunication</td>
<td>38.0</td>
<td>40.8</td>
<td>27.9</td>
<td>22.0</td>
</tr>
<tr>
<td>Jasmine International Overseas</td>
<td>–</td>
<td>–</td>
<td>4.0</td>
<td>4.7</td>
</tr>
<tr>
<td>TT&amp;T</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
<tr>
<td>Others</td>
<td>16.8</td>
<td>26.0</td>
<td>8.6</td>
<td>47.7</td>
</tr>
</tbody>
</table>

### TABLE 3
**JASMINE GROUP'S MAJOR CUSTOMERS (1997)**

<table>
<thead>
<tr>
<th>Subsidiaries</th>
<th>Major Customers</th>
<th>(%) of Revenue Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acumen</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- ISBN</td>
<td>TT&amp;T in the top-ten</td>
<td>4</td>
</tr>
<tr>
<td>- TDMA</td>
<td>Telephone Org of Thailand (TOT)</td>
<td>100</td>
</tr>
<tr>
<td>Jasmine Submarine Telecommunication</td>
<td>TOT</td>
<td>100</td>
</tr>
<tr>
<td>Siam Teltech</td>
<td>TT&amp;T</td>
<td>93.36</td>
</tr>
<tr>
<td>TJP Engineering</td>
<td>TT&amp;T</td>
<td>57.15</td>
</tr>
<tr>
<td></td>
<td>Ital-Thai Development</td>
<td>24.76</td>
</tr>
<tr>
<td></td>
<td>TOT</td>
<td>6.21</td>
</tr>
<tr>
<td>Radiophone</td>
<td>TT&amp;T</td>
<td>9.14</td>
</tr>
<tr>
<td></td>
<td>TelecomAsia (TA)*</td>
<td>6.22</td>
</tr>
<tr>
<td></td>
<td>TOT</td>
<td>3.08</td>
</tr>
<tr>
<td></td>
<td>TJP Engineering</td>
<td>1.4</td>
</tr>
<tr>
<td>Ericsson Thai Network</td>
<td>Ericsson (Thailand)</td>
<td>92.23</td>
</tr>
<tr>
<td>Jasmine Submarine</td>
<td>TT&amp;T</td>
<td>58.51</td>
</tr>
<tr>
<td></td>
<td>TOT</td>
<td>20.02</td>
</tr>
<tr>
<td></td>
<td>Jasmine Submarine</td>
<td>3.3</td>
</tr>
</tbody>
</table>

* TA is part of the CP group, which holds 60% in Radiophone.
** Ericsson Thai Network Products was set up mainly to supply the installation work of the 1.5m telephone line project of TT&T. The installation was subcontracted to Ericsson.

*Source: 56-1 form, 1997.*

A cent share of revenue. This rate was based on an over-estimation of TT&T's revenue per line. Unable to achieve the estimated income, TT&T struggled intensely to meet its contract with the government (*The Nation, 21 July 1997*).

These problems suggest that managerial capabilities are not yet the group's strongest qualities. In addition, the group's technological capabilities remain debatable. Despite the technology-intensive nature of the telecom industry, little attention has been given to activities such as R&D or market research. Staff training in operation and maintenance is the most that the group has invested in R&D-related areas. Yet, the group has grown
rapidly and become one of the four most influential players in the industry.

Contacts and Connections as Ownership Advantages

It may be unfair to claim that Jasmine’s domestic growth is based entirely on the group’s vast connections, but to deny it at all is unrealistic given the highly politicized nature of the industry. Adisai himself admitted in an interview that “a person who has many friends can do well in business and that is a difference between Thailand and Western societies. Because our society relies considerably on links to a group, it can be seen as using contacts to get things done, and I think it is necessary” (quoted in Bangkok Post, 7 July 1997). The experience of the Jasmine group reveals that the group has benefited from at least three types of connections. First, amicable relationships with relevant state agencies are invaluable. It is widely known that the Jasmine group enjoys exceptionally close ties with the TOT, thanks to Adisai’s previous career at the agency. The group is the TOT’s largest contractor, holding five major concessions, not to mention joint investment in two other projects. Adisai’s connections within the state agency are considered one of the group’s strongest advantages (interviews, 1 December 1998, 6 January 1999; Far Eastern Economic Review, 1 September 1994: 66). His colleagues who remained at the agency have risen to several powerful positions. One of those is Sumet Tantivejkul, who once held the chairmanship of the TOT’s board of directors (Phujadkarn Rai Deun, September 1997). Sumet was reported to be very close with the Jasmine group and had sat as a director on the group’s board before taking up the TOT’s board chairmanship (Phujadkarn Rai Deun, September 1997; The Nation, 3 October 1997). For those TOT executives who no longer wanted to stay at the agency, the Jasmine group provided a launch pad for their new careers in the private sector. Several ex-TOT department heads have joined the group in various high-ranking positions including President and CEO of Jasmine International Overseas, the group’s arm for international investment (Business Day, 22 January 1996; Phujadkarn Rai Deun, September 1997).

Links with state agencies alone are not enough; political connections are also crucial in this industry. The Jasmine group is widely known to be a major financial supporter of the Chat Pattana party (CPP), one of the main political parties in Thailand. Adisai’s
close ties with the party became even more evident when he was named the party’s deputy leader and executive member in late 1999 (Bangkok Post, 13 December 1999). The group’s support for the CPP resulted from Adisai’s close ties with the CPP’s former leader, Chatichai Choonhawan. Their close relationship bore fruit when the latter became prime minister during 1988–91. The two most profitable concessions Jasmine won in its early development were awarded by the Chatichai government. Close connections between Adisai and the CPP were said to be ‘strongly helpful’ in winning the two concessions (interview, 1 December 1998; Phujadkarn Rai Deun, September 1997).¹²

Because of the rapid proliferation of opportunities in telecommunications markets of developing countries, access to finance became an important success factor for firms in those countries (Inkelbrecht, 1995: 196). Jasmine’s financial linkages were so well established that the group president once claimed that the company was ‘well supported by financial institutions’ (The Nation, 9 May 1995). This assertion is well grounded given the group’s close relationships with the Loxley group and Phatra Thanakit. Both are part of the Lamsam family empire, which is centred around the Thai Farmers Bank, Thailand’s third largest bank. A senior executive admits that the group’s links with the Loxley group have helped improve its creditworthiness among foreign financial institutions. In addition, government concessions can be used as collateral for most financial institutions. The same executive even claimed that different financial institutions ‘came knocking on my door offering loans’ (interview, 15 December 1998). The statement is no exaggeration as the group’s debt-to-equity ratio rose from 0.38 in 1994 to 5.96 in 1997, while its equity remained unchanged (Jasmine International, 1997).

INTERNATIONAL EXPANSION

The literature on the international expansion of firms is based on two main assumptions: first, that the nature of the process is incremental, reflecting the learning-by-doing mechanism; and second, that internationalizing firms possess some kinds of ownership advantages that can be transferred to overseas markets. The incremental nature of the internationalization process is reflected in both the sequence of markets entered as well as the organizational form selected in each market.
The international expansion of the Jasmine group, however, poses challenges on the above assumptions. This study argues that the group's international expansion reflects an opportunistic attempt to reap new market opportunities that were rapidly opening up, rather than the accumulation of technological or managerial capabilities. Rapid international expansion of telecommunications firms can be explained as an attempt to seize first-mover advantages (Sakar et al., 1999), although Jasmine's arbitrary choices of international projects show the group's lack of a clear international strategy. The group's opportunistic approach to its international expansion was clearly echoed by most executives interviewed; as one remarked:

We did not have any particular strategy in terms of selecting countries nor areas of telecom services [e.g. mobile, fixed-line, paging, etc.]. We were contacted either by local investors or foreign multinationals, or sometimes by our financial advisor. Decisions were based mainly on each project's opportunity and profitability (interview, 6 January 1999).

The quest for new opportunities is evident in Jasmine's market selection as well as in its choices of project. The group had announced its investment in a variety of projects in several Asian developing countries almost all at the same time. Within the period of three years, the group invested in a trunked radio network in Indonesia, a regional satellite mobile telephone network, a paging service in the Philippines and mobile telephony in India, not to mention its failed attempt in a hydroelectric power plant in Laos (see Table 1 for details).

The apparent differences among these projects make it necessary for the group to include other partners who can provide relevant technology and local knowledge. This is the main reason why the group chose joint ventures as the main entry strategy for all its overseas investment (interview, 6 January 1999). In all its international projects, Jasmine sought reliable local partners who could contribute local knowledge or local connections. These local partners are domestic telecom carriers, which, in most cases, have been granted concessions or licences for their operation. In some circumstances, Western telecom firms are sought to join the consortium as shareholder and technology provider.
In common with Thailand, the telecom industry in other Asian developing countries is equally politicized. Finding a well-connected local partner in each market can benefit the project in the same way that Jasmine's connections in Thailand had done for its domestic growth. The group's contact capabilities at home appear to have been translated into its understanding of how political manoeuvring is handled in other developing countries. With such understanding, Jasmine has been fairly competent in finding local partners with the 'right' contacts to compensate for their lack of connections. For example, the group's ACeS project was started as a joint venture among three 'well-connected' regional telecom carriers. Besides Jasmine, the project comprised Philippine Long Distance Telephone (PLDT) and PT Pasifik Satelit Nusantara of Indonesia (PSN). PLDT is the largest telephone carrier in the Philippines, holding more than 90 per cent of the market. The company was controlled by a local family, the Cojuangcos, which is one of the most influential families in the country. PLDT's previous leader was a close associate of Ferdinand Marcos, and its current president, Antonio Cojuangco, is a nephew of another ex-president, Corazon Aquino. PLDT had held the monopoly of the telecom industry for 64 years before ex-president Fidel Ramos broke its control in 1993 (Far Eastern Economic Review, 6 May 1993). The political connections of the Indonesian partner are no less impressive. Among its shareholders are the state-owned domestic telephone monopoly and another company controlled by Suharto's son, Bambang Trihatmodjo (Far Eastern Economic Review, 18 May 1995).

Jasmine's reliance on local partners for local knowledge, and on foreign multinationals for necessary technology, raises the question of what then is Jasmine's contribution in its international investment projects. When asked what role the group played in its overseas projects, Jasmine executives stressed its contribution in engineering activities as well as project financing (interviews, 15 December 1998; 6 January 1999). Jasmine also claimed that its skills in system designing, equipment selecting and installing have been beneficial to its overseas joint ventures. From its experience in Thailand, Jasmine can share with its developing-country partners its skills in controlling project costs through system design and equipment selection. It also reported that the use of Thai engineers is less costly than hiring their Western counterparts with the same
qualifications (interview, 6 January 1999). However, this could be simply a convenient answer as the group's level of technological skills has been strongly questioned, as discussed earlier.

Although Jasmine wants to stress its technological role in these overseas projects, it appears that the most important contribution from the group is its ability to share the financial burden. Because of the rapid proliferation of telecom projects in developing countries, the ability to find project financing becomes an important success factor for new telecom projects (Inkelbrecht, 1995). With more and more activities, traditional sources of finance such as equipment suppliers or development banks are finding themselves spread thinly among various projects. Major equipment suppliers become less committed to give as much financial support as they have in the past (FEER, 5 October 1995). Besides, not all Western telecom firms are interested in uncertain projects in developing countries (interview, 6 January 1999). Thailand's financial liberalization in the early 1990s allowed domestic firms to seek loans from a variety of domestic and international financial institutions. Different liberalization schemes, along with the Thai firms' longer experience in telecommunications, as compared with those in India or the Philippines, made it possible for them to obtain relatively cheaper loans (interview, 6 January 1999). On top of that, Jasmine's connections with different financial institutions enable the group to seek loans from various sources. One executive remarked:

Not everyone knows everything. Between shareholders, we can form a consortium with all necessary resources. Jasmine's contribution is mainly to share the financial burden, as well as to provide some of our engineering expertise. In these developing-country markets, it is important to get there early (interview, 6 January 1999).

The opportunistic undertaking of international investment has cost the group dearly. Jasmine's heavy dependence on debt financing for both its domestic and international projects was severely felt when the devaluation of the baht in 1997 almost doubled the amount of foreign currency loans. Financial crisis aside, the group also suffered from several miscalculations of opportunities in its international investment. For example, the group's investment in India could not meet its expected revenue
target. Most companies, Jasmine included, overestimated the potential and the profitability of the Indian market. These telecom projects required a huge investment but its return is much slower than expected (The Nation, 8 January 1997; Asia Week, 27 November 1998). In addition, the fact that all Jasmine’s international projects are still in their developmental period and have yet to generate much financial returns worsens the group’s financial liabilities. Given all these problems, Jasmine decided that the group’s international projects be sacrificed to save its domestic situation. The group’s attitude toward international projects has changed from a positive confidence to despair in a matter of a few years. In an interview with a local newspaper, one board director stated that ‘Jasmine believes it can survive by simply selling the stakes in overseas companies’ (The Nation, 22 January 1999).

The first one sold was the group’s 2.36 per cent stake in Digitel, a land-line phone operator in the main Philippine island of Luzon. Jasmine’s equity was sold to ING Baring (Philippines) and Merrill Lynch (Philippines) in February 1998. Soon after, the group’s stake in the much-promoted Asia Cellular Satellite (ACeS) was largely reduced from 33.33 per cent to a mere 9.9 per cent. The group’s shares were sold to Lockheed Martin, and the project’s two other shareholders in 1999 (Jasmine International, 1999). In addition, the group wanted to dispose of its shares in JT Mobiles, the cellular phone operator in India (The Nation, 22 January 1999). Meanwhile, the group is trying to pull out from its energy-related investment in Laos. In sum, the group’s only international strategy by 1999 was to get out of all international projects.

CONCLUSION

This study unveils important factors behind the domestic and international growth of a leading Thai telecommunications firm, the Jasmine group. It shows that an industry located in a growing market, with low competition due to high entry barriers and strong political interference can develop quickly. The firm’s survival, however, was based on various connections and contacts at the expense of necessary technological or managerial skills. The experience of the Jasmine group shows that its growth both at home and abroad has been based mainly on its ability to take advantage of its vast networks and connections. In fact, these
‘contact capabilities’ should not simply be dismissed as cronyism, the downside of business expansion in Asia. Contacts may even be a significant part of the game, given the nature of the telecommunications industry in developing countries. Without these contacts, Jasmine may not have been there in the first place. Jasmine’s rapid international expansion is also understandable as first movers do enjoy numerous advantages, such as setting standard process or establishing physical networks.

However, this is neither an excuse for relying solely on the group’s networks of contacts, nor for doing nothing to improve on other skills. Various concessions and other protections that the group enjoys partly contributed to its relaxed attitude. In addition, with all the new opportunities opening up in the region, it might be too tempting to sit back without thinking through the implications. Frenzy flows of capital, which entered Thailand after its financial liberalization in the early 1990s, facilitated the financing of Thai firms’ international projects. All these external factors may have influenced the group’s chosen path. Nonetheless, the bottom line is that Jasmine has relied too much on its contact capabilities while not investing enough in developing other kinds of advantages that can be sustained in the long run. The recent economic crisis has given the group a valuable and expensive lesson, as succinctly put by one executive: ‘All we have done in the past was trying to grow from the top of a tree. Now we know that a tree needs strong roots before it can grow’ (interview, 15 December 1998).

ACKNOWLEDGEMENTS

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NOTES

1. Late-industrializing countries refer to those that industrialized in the twentieth century, especially after World War II (Amsden 1989, 1995). All developing countries fall under this late industrialization category.
2. This essay follows Yoshihara (1988)’s definition and takes cronyism as the practice whereby private-sector businessmen benefit enormously from their connection with the state.
3. Due to the weakness of statistics on Thai outward direct investment, the case-study methodology is preferred over the quantitative analysis. The Jasmine group was chosen because it was one of the most aggressively internationalizing Thai firms. The case study is based on information based on various sources, including interviews, annual reports, academic theses, and reports submitted to the Stock Exchange of Thailand.

4. The telecommunications bottleneck worsened in the late 1980s. Compared to other developing countries with a similar level of per capita income, the number of telephones per 100 persons in Thailand in 1987 was much lower. While Thailand had 1.67 telephones per 100 persons, Chile, Malaysia and Turkey had 4.64, 6.85, and 7.66 telephones respectively (Sakkarin, 2000: 12).

5. Shin Corp's founder, Thaksin Shinawatra, became prominent on the Thai political scene in the mid-1990s. He now leads the Thai Rak Thai (TRT) party, a new political party founded in 1997, and became Thailand's Prime Minister in January 2001.

6. Unless stated otherwise, the information in this part was drawn from the Jasmine group's annual reports and its additional reports submitted to the Stock Exchange of Thailand (56-1 forms).

7. The average exchange rate in 1999 ranged between Bt36 and Bt38 to US$1.

8. The Lonexley group is controlled by the Lansam family. Despite its variety of business, the Lansam family is most well-known for its banking and finance activities. The family's interest in banking is represented by the Thai Farmers Bank, the country's third largest bank. TT&T's other major partner, Italian-Thai Development, is also a family-controlled conglomerate most well-known for its activities in infrastructure construction.

9. Jasmine's international projects discussed here have been identified in the company documents. However, there were reports on other projects that were not confirmed in both the company's sources and interviews. First, Jasmine International was reported to hold 15 per cent in a consortium which had won a US$900 million contract to renovate two airports in the Philippines. Two other partners were Ital-Thai (25 per cent) and Chinese Imagine Dragon (60 per cent) (Bangkok Post, 15 July 1995). The second project linking the Jasmine group with investment in the Philippines was another joint investment with the Ital-Thai group in a major residential-commercial real estate project in Manila Bay (The Nation, 13 October 1995).

10. Dennis Mugwanya, director of R & D at an AT&T subsidiary in Thailand (1992-94) and expatriate director of R & D at a Thai telecommunications company (1995-7), personal communication.

11. The two projects are: Mobile Communications Services (MCS) and JT Mobile in India. MCS, a 70:30 joint venture between Jasmine and the TOT, was established in 1997 to provide marketing services for TOT's own mobile telephone networks. The TOT had a 10 per cent equity investment in JT Mobile. However, the state agency withdrew its participation after the 1997 economic crisis (Bangkok Post, 27 January 1998).

12. Adisai was early associated with the CPP but switched camp to join the Thai Rak Thai party for the January 2001 election.

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