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POLITICAL ECONOMY OF THAILAND

An Analysis of Recent Thai Development

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by

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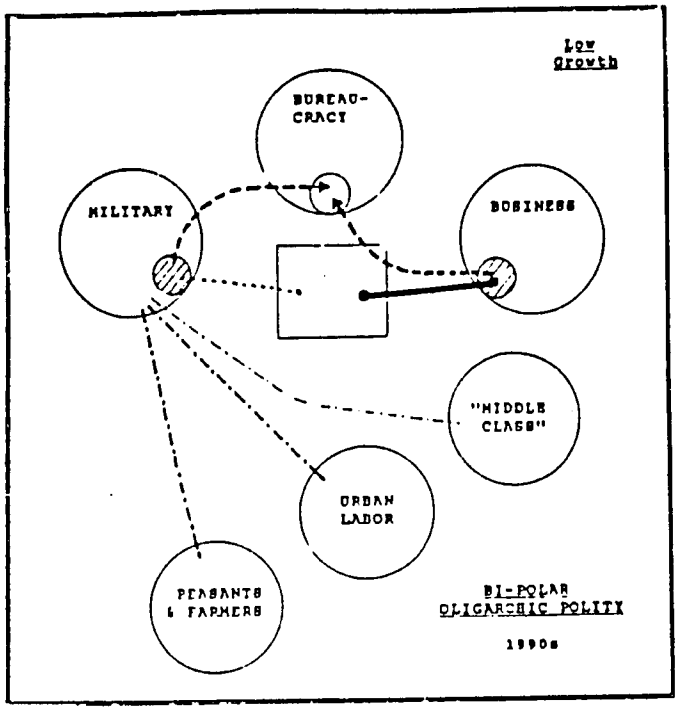
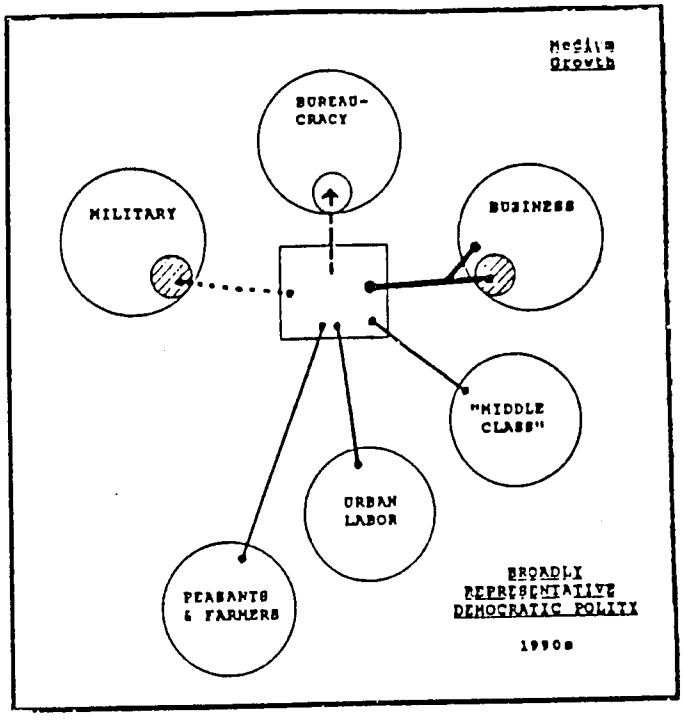
EXECUTIVE SUMMARY

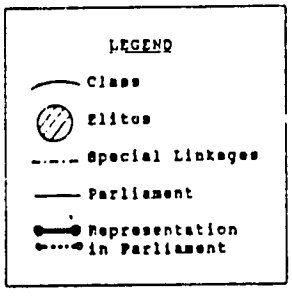
Thailand has been remarkably successful in establishing sound economic policies able to sustain high growth rates. At the same time, economic and political challenges resulting from this growth are arising at a pace and magnitude never before faced by the Thai society. In the past, such problems were dealt with by a small group of political elites. The history of coups and intense (though rarely violent) infighting within and between these elites should not obscure the underlying stability of this older political system. Over the past two decades, however, Thai elites have faced growing demands for wider access to political processes from an increasingly sophisticated citizenry. The basis of political power in Thailand is being fundamentally altered and contenders must now base their claims to legitimacy, or appear to base them, on broad popular support.

One means for demonstrating such support is through elective representative institutions. After the turbulent 1970s, Thailand settled into a steady process of democratic political development. Today, Thai democracy is still evolving and institutionalizing, but it has successfully moved the traditional military-bureaucratic elites further from direct authority over government decision making processes. Yet despite the existence of democratic parliamentary forms, government has now come to be dominated by a relatively narrow group of business interests. Governance is increasingly characterized by a high degree of factional infighting over the spoils which ministerial positions bring. This system may be hard pressed to address the serious challenges now confronting the nation. Given time, these forms will take on more broadly representative functions. In the interim, however, there is a possibility that the slow pace in establishing effective democratic institutions will lead to an erosion of confidence in elective representative government, increasing polarization in Thai society, and a partial return of the military to governance. Ultimately, this could lead to an erosion of current pro-growth policies.

Two possible paths of Thai political evolution are now foreseeable: (1) movement toward a broadly representative **Democratic Polity**, and (2) emergence of a **Bi-Polar Oligarchic Policy** split between a populist military leadership and business-dominated parliament. Important linkages between various components of Thai society and their access to parliament are shown under each scenario in the following figure.







Under either scenario the Thai government would probably seek to channel more of the nation's resources into subsidizing the poorer segments of society through education, infrastructure investments, and income redistribution (i.e., the "pro-stability" position). This would inevitably lead to slower growth. But in the more democratic polity this would occur on the basis of a sustainable national pro-business consensus supporting open markets, while the bi-polar oligarchic type of polity would see encouragement of anti-business sentiments which could be channelled into support for tighter government management of business affairs "in the public interest".

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1. INTRODUCTION

Thailand has been remarkably successful in sustaining high economic growth rates over the past two decades. As a consequence, however, the country now faces a range of economic, social, and environmental challenges which could seriously undermine future growth prospects. Until recently, these challenges would have been dealt with by a relatively small group of national elites. But the basis of political power in Thailand has been undergoing fundamental changes and the national leadership must now base its claims to legitimacy on broad popular support. Today, the institutions of Thai democracy are still evolving. Given time, these institutions will be capable of forging the kind of broad and sustainable public consensus on development policies that can maintain Thai economic performance though the 1990s. In the short run, however, the slow pace in establishing democratic mechanisms and growing public frustration at the inability to resolve current problems could lead to a deterioration in public confidence in elective representative government, an increasing polarization in Thai society, and a partial return of the military to active governance. These developments could lead to an erosion of the sound economic policies which form the foundation of current growth.

Emerging Thai social and political developments will therefore have a direct impact on the effectiveness and relevance of U.S. bilateral assistance. USAID/Thailand is currently reassessing constraints on Thai development as a background for preparation of its new Assistance Management Plan. This paper was prepared by a team which was asked to examine issues related to Thai democratic institutions. It serves two purposes: (1) as a background for a proposed mission program to help strengthen participatory institutions, and (2) as a contribution to assessments of country conditions which should provide a useful additional perspective as the mission strategically refocuses its program.

The paper is a not comprehensive review, neither in terms of the complex subject matter nor in terms of adequate reflection of differing theoretical perspectives and interpretations of various

academic observers. Moreover, it emphasizes the broad trends in Thai political evolution and does not focus on specific events or actors in any detail. Our purpose is limited to describing the rapidly evolving political and social environments within which USAID/Thailand will be working in the 1990s. We have therefore trimmed the complex political economic developments of the last few decades to a few basic concepts providing a simple analytic framework.

The paper begins with a brief discussion of the basic categories of analysis used in the paper. We then examine changing political relationships in Thai society and polity before and after 1980 and after 1988. This is followed by a look at two directions in which these could lead in the 1990s. The final section briefly examines implications for the USAID/Thailand program.

2. MAJOR CATEGORIES OF ANALYSIS

Several different theoretical perspectives have been used in Thai political studies. Since our purpose is limited to providing a general outline, we have narrowed discussion to two basic analytic categories: political economic class and political institution.

Six major Thai political economic classes are discussed below. Class is defined here as a segment of society consisting of persons who share similar material interests vis-a-vis members of other political economic classes. Individuals within a class may or may not perceive these shared interests and, if they do, may or may not be organized along class lines to pursue them. (for further discussion of class as defined here see Attachment 1.) Elites in three of the six classes--business, bureaucracy, and military--play a major role in the analysis.

The major political institutions of concern in this paper are the Thai parliament, cabinet, and the political parties. The significance of bureaucracy and military as "institutions" is

acknowledged, but we have chosen to approach these as classes pursuing their material interests in relation to those of other classes. In this perspective, the institutional resources and hierarchical internal command structures of the bureaucracy and military enable them to pursue class interests in ways not available to other classes.

2.1 Principle Classes

Bureaucracy

For the purposes of this paper, it is important to distinguish between the Thai state (as a complex mechanism for defining and implementing public policy and administering public works) and the Thai bureaucracy, or the individuals who serve as government workers and officials. Most Thai civil servants share attitudes and values which grow out of common experiences, shared status, and similar material interests derived as government workers, or more precisely as "men of the King". These differ from those of the rest of Thai society and in large part grow out of the unique political leverage held by persons who man the instruments of state backed up by the state's monopoly on legitimate use of force.

This is not to suggest that the Thai bureaucracy is monolithic. Within the broader context of shared interests and values, there has always been a great deal of intra-bureaucratic competition and conflict over access to position, and the status and material benefits which derive from holding powerful positions in the bureaucracy. This conflict primarily occurs along patron-client factional lines, but also reflects specific sectoral interests of particular segments of the bureaucracy as an institution (agriculture, commerce, civil administration).

Taking a broad historical perspective, the roots of the Thai bureaucracy as a class go back hundreds of years. However, over the past century the Thai bureaucracy has undergone fundamental and accelerating changes in at least three major ways: (1) its members have become more professionalized reflecting a growing

division of labor and specialization in technical skills, (2) until the early 1980s, the number of persons employed in the bureaucracy had grown exponentially, (3) since the early 1960s, civil servants have come into closer contact with ordinary Thai citizens leading to increasing conflicts of interest.

Expansion and segmentation related to the first points has been striking as seen in Figure 1.

Figure 1
Expansion of the Thai Bureaucracy, 1933-1979

Year	Ministries	Departments	Divisions
1933	7	45	143
1941	10	49	317
1957	12	90	550
1969	12	113	827
1979	13	131	1264

PERCENT INCREASE SINCE 1933

Year	Ministries	Departments	Divisions
1933	-	-	-
1941	43%	9%	122%
1957	71%	100%	285%
1969	71%	151%	478%
1979	86%	191%	784%

Source: Morell and Chai-anan, 1981 (p43)

The "bureaucratic elite" consists of the top positions in the civil service hierarchy. Included of course are ministerial positions which have largely been filled by individuals from the dominant ruling elite--initially royal princes, later the

military, and civil servants appointed to ministerial positions. The current Chatchai government pattern in which business interests control ministerial postions marks an important break with the previous pattern. The Thai bureaucracy has thus never really broken free of the domination of other components of society.[1] However, the most autonomous period for the bureaucracy was during the long close alliance with the military from the 1930s to the mid-1980s.

Military

The Thai military as a professional organization emerged in the early years of the twentieth century. As the monarchy sought to secure control over all territories within Thai borders, the role of the Thai military became that of securing the countryside against internal threats to centralized government control. Core military attitudes and values followed from this role. Elements of the military eventually came to envision a broader role for themselves replacing the absolute monarchy ostensibly in the name of the Thai people. In 1932 they seized control of the bureaucracy in a bloodless coup usually referred to as the Thai Revolution.

For most of the six decades since that event, the military dominated Thai governments. During this period military coups and coup attempts were common (Figure 2-following page).

The military's internal security role expanded considerably during the 1960s and 1970s in response to the insurgency by the Communist Party of Thailand (CPT). Despite the disintegration of the CPT in the early 1980s, most officers continue to see the military's role as covering both security and political functions.

The internal cohesion, hierarchical values, and loyalty within the military has resulted from skillful use of institutional and extra-institutional means to care for the rank and file. Through the early 1980s, the military was able to secure its material interests through large defence budgets (both open and secret). From the late 1950s on, positions as business advisors or corporate board members in largely State - owned enterprises (SOEs)

and private, Chinese-owned, firms provided income to top military officers.

Figure 2
Coups and Attempted Coups

Jun 1933	coup
Oct 1933	attempted coup
Nov 1947	coup
Oct 1948	attempted coup
Feb 1949	attempted coup
Jun 1951	attempted coup
Nov 1951	coup
Sep 1957	coup
Oct 1971	coup
Nov 1971	coup
Oct 1976	coup
Mar 1977	attempted coup
Oct 1977	coup
Apr 1981	attempted coup
Sep 1985	attempted coup

Source: Chai-Anan, 1982 (p71)

The "military elite" consists of the top ranks of the Army, security apparatus, and key field commands. Movement into key positions has tended to follow factional lines based on graduating class, patron-client linkages, or both.

Business Class

Thailand's early business class was of Chinese origin having developed from its roots as the tax collectors and monopoly trade agents of the royal house. Intermarriage between the Thai aristocracy and wealthy Chinese merchants was not uncommon. Only from the 1970s on following the successful "Thai-ification" programs of the 1940s and 1950s has business begun to lose its almost exclusive identification as a Chinese and therefore foreign dominated

activity.

Through the 1950s, Thailand's economy was primarily based on rice trade, though three other primary commodities--teak, tin, and rubber--were major exports. The major sources of merchant wealth since the 1940s have therefore been the export trade in these commodities and associated banking activities. The RTG's efforts to spur manuafacturing growth through Import Substitution Industrialization (ISI) policies in the 1960s opened up new opportunities, particularly for businessmen who could gain the protection and favor of individual military and bureaucratic elites. The reorganization along corporate lines of Thailand's largest firms during this period facilitated closer linkages with military and bureaucratic officials. Banking interests, controlled by a few banking families and favored by government, became the most powerful components of the business class. By the mid-1970s, however, the five largest banks were beginning to professionalize, thereby weaning themselves from direct dependence on their links to powerful officials.

The rapid expansion and diversification of business activities since the late 1970s, now led by export manufacturing, has both strengthened the business class politically and diversified economic power within it. Though today the economy is still dominated by industries and banks located in Bangkok, there is a rising group of independent provincial entrepreneurs.

Since the mid-1980s, with increasing political party control over Cabinet selection, the older business linkages to military and bureaucratic elites have become less important. This has fostered the emergence of a new type of "business elite" with direct linkages to powerful elected party politicians. This has been an important development with far reaching political consequences as discussed latter in this paper.

<u>Private "Middle Class</u>" (technicians, professionals)

In this paper the term "middle class" is used somewhat narrowly to refer to the rapidly growing segment of Thai society made up of diverse private sector white collar professionals and technicians

(not including businessmen or civil servants). This class is an inevitable product of the increasing division of labor resulting from industrialization and the expansion of the service sector. The material interests of the Thai middle class are diffuse, though in general dependent on a healthy, expanding economy. Ideologically, the middle class tends to be ambiguous. On the one hand, there is a desire for more open and democratic government and a willingness to become engaged in public issues such as environmental protection. But on the other, there is uneasiness over potential instability, particularly when this results from escalating demands of rural populations or urban labor.

Urban Wage Labor

Around the turn of the century urban labor consisted almost entirely of immigrant Chinese and the first efforts to establish unions and a communist movement were begun among these foreign workers. In recent decades ethnically Thai villagers have moved into the cities, primarily Bangkok, looking for work. Rapid industrialization and the growth of the service sector since the 1970s has absorbed many of the better educated rural migrants.

Thai urban labor has undergone cycles of organization and disruption throughout its history. Though the movement expanded rapidly during the mid-1970s it suffered from heavy repression after the 1976 coup. Available evidence suggests that although numbers of urban workers are expanding rapidly, union organization is proceeding very slowly (estimates of union membership as a percent of potentially organized workers range from about 6% to 10%). In part this reflects the recentness of the industrial expansion, but it also reflects the anti-union character of the Labor Law. Unions can only organize on a company-by-company basis. Union officials must be full-time workers. And federations of labor (there are now five) are not allowed to become directly involved in labor negotiations. All three factors greatly reduce the ability of unions to become stable and effective institutions.

In terms of numbers of workers, organized labor is today about evenly divided between better-off SOE workers and minimally

organized but numerically expanding private sector workers. Though they share some common interests and SOE unionists often assist in organizing private sector workers, these two segments of labor have different and potentially conflicting interests. SOE unions particularly under large public infrastructure companies (e.g., ports, electricity) have been patronized over the years by the bureaucracy and military. With relatively high wages and strong benefits these unions have resisted recent government efforts to open key infrastructure to private sector development fearing erosion of past worker gains. Private sector workers are largely unorganized. Union leadership in this sector remains weak given that companies are generally small and requirements for full time employment are more strictly enforced.

The potential for labor-related disruption of economic growth in the 1990s is serious. Current law denies private sector workers the ability to effectively organize to express and channel demands in an orderly manner. Given the increasingly open nature of Thai society and thus the inability of government to use direct repression to suppress labor demands, Thailand could face a spate of explosive labor unrest in the mid-1990s. More importantly, both private sector and SOE unions lack experience in direct participation in the elective political process. Most labor leaders do not believe that such participation could be of any use to them. The combination of being organized but denied access to the political process makes labor ripe for behind-the-scenes manipulation by military elites.

Peasants/Farmers

Rural farmers and peasants make up roughly 75% of the Thai population. Both incomes and education remain among the nation's lowest. One of the greatest problems in rural areas is that agricultural productivity is far lower than that of industry and there are limited opportunities for jobs.

Thai peasants and farmers have remained almost entirely outside the political arena. Rural political organizations, in particular the Farmers Federation of Thailand (FFT) which emerged after 1973 were vocal but had little direct representation in Parliament. By

1975 they were targeted by military-coordinated paramilitary groups for violent disruption, including assassinations. After the 1976 coup, the FFT was thoroughly suppressed. No independent mass-based farmer or peasant organization has emerged since this period. Rural mass mobilization by the military, particularly in the Northeast (discussed in Section 3.3), is unlikely to be used to serve rural interests.

One recent development which could lead to greater rural advocacy has emerged under the rural NGO movement. Two issues--land ownership and forest encroachment--have been taken up by the NGOs and the media and could be seen as representing the interests of poorer segments of agricultural communities. However, the NGOs do not represent the interests of relatively more successful farmers and in fact often see themselves in opposition to such farmers.

2.2 Principle Institutions

Cabinet

Under Thailand's parliamentary form of government the Cabinet (all Ministers under the leadership of a Prime Minister) is formally the major mechanism of policy formation. In the years before 1973, most cabinets consisted of the military and bureaucratic elites, though some individuals from outside this core elite were occasionally included. This was the case even during periods of elected governments. Most notably, except for a brief period in 1975 and 1976 under PM Seni and PM Kukrit, businessmen were not heavily represented in Thai Cabinets until the 1980s under PM Prem (see Figure 3). This point will be expanded on later in the paper.

Figure 3
Businessmen in Thai Cabinets, 1963-1988

HEAD OF GOVT	YEARS	CABINET SIZE	BUSINESSMEN Number	Percent
30 Sarit	1963-1963	14	0	0%
31 Thanom I	1963-1968	18	1	6%
32 Thanom II	1969-1971	25	1	4%
33 Thanom III	1972-1973	28	3	11%
34 Sanya I	1973-1974	28	4	14%
35 Sanya II	1974-1975	31	3	10%
36 Seni	1975-1975	30	8	27%
37 Kukrit	1975-1976	27	16	59%
38 Seni	1976-1976	31	11	35%
39 Thanin	1976-1977	17	2	12%
40 Kriangsak I	1977-1979	33	2	6%
41 Kriangsak II	1979-1980	43	9	21%
42 Kriangsak III	1980-1980	38	5	13%
43 Prem I	1980-1981	37	17	46%
44 Prem II	1981-1981	40	12	30%
45 Prem III	1981-1983	41	17	41%
46 Prem IV	1983-1986	44	21	48%
43 Prem V	1986-1988	45	31	69%
44 Chatichai	1988-	45	33	73%

Source: Somboon (1990)

Parliament

Over the six decades since the overthrow of the absolute monarchy, the Thai parliament has played an important legitimizing role, although largely ineffective as an instrument of government. Over much of this period, parliament has been primarily symbolic. From 1932 on, the Thai military having overthrown the monarchy faced a problem of legitimizing its claim to represent popular sovereignty. Periodic existence of a tightly controlled parliament served this purpose among the relatively small group of educated Thais active or concerned with politics.

Under PM Sarit (1957-1963) the military rehabilitated the traditional symbols of Thai nationhood in the concept of Nation-

King-Religion, thereby legitimating the direct military role in government as the guardians of these three institutions. This temporarily side-stepped the need for the symbolism of a functioning parliament. But by the late 1960s new political forces--including a widening circle of business and university students--were demanding a return of both the symbol and substance of democratic institutions.[2] After 1973 the efforts of students and others to entrench **democratic** values more widely in Thai society were largely successful.[3]

Perhaps largely because of the symbolic role of parliament, its periodic reestablishment has always led to growing demands from its members for the right to define policy and intervene in bureaucratic decision making. This has inevitably led to crises when the military-bureaucratic elites refused to allow further erosion of their prerogatives. Since the late 1960s, this has been complicated by an additional dynamic in which the re-establishment of parliament leads to demands that access to decision-making be broadened to cover a wider cross-section of Thai society. The former dynamic is often led by parliamentarians while that for broader general representation has tended to be led by students and leaders of diverse representative organizations, though today a small group of academics and parliamentarians are working for more pluralistic participation through parliament itself (most notably the Institute for Public Policy).

By 1988 the first dynamic had run its course--the parties now have direct authority over the bureaucracy. The second is still in process. Figure 4 (following page) shows the composition of the membership of the elected House. Today members of parliament may well represent a much narrower segment of Thai society than they did only a few years ago.

Elections and Political Parties

Until the 1980s, barriers were maintained between the elected parliamentarians and real power to formulate policy. This reduced the potential for political parties to seriously draw voter interests into government decision-making. Under the current

system, parties and elections have become critical factors in the

Figure 4

Composition of the House of Representatives by Vocation, 1933-1988

YEAR	BUS	BUR	LAW	JOUR	DOC	FARM	ACAD	OTHER	TOTAL
1933	15	27	21	3	2	8	0	2	78
1937	18	47	15	1	2	5	2	1	91
1938	20	36	24	3	0	7	0	1	91
1946	20	43	17	2	1	7	1	5	96
1946	9	50	15	0	0	4	1	3	82
1948	22	34	28	3	0	6	0	6	99
1949	7	4	6	0	0	1	1	2	21
1952	25	34	44	1	3	4	5	7	123
1957	42	46	44	2	0	11	5	10	160
1957	44	42	37	8	3	13	5	8	160
1969	100	45	35	3	4	12	3	17	219
1975	93	33	47	10	6	23	20	37	269
1976	82	62	33	6	10	16	24	46	279
1979	112	55	41	2	5	26	22	38	301
1983	124	33	33	NA	6	14	NA	114	324
1986	186	48	44	2	8	7	28	24	347
1988	243	25	48	5	7	8	89	12	357

As a Percent of Total House Members

YEAR	BUS	BUR	LAW	JOUR	DOC	FARM	ACAD	OTHER	TOTAL
1933	19%	35%	27%	4%	3%	10%	0%	3%	101%
1937	20%	52%	16%	1%	2%	5%	2%	1%	99%
1938	22%	40%	26%	3%	0%	8%	0%	1%	100%
1946	21%	45%	18%	2%	1%	7%	1%	5%	100%
1946	11%	61%	18%	0%	0%	5%	1%	4%	100%
1948	22%	34%	28%	3%	0%	6%	0%	6%	99%
1949	33%	19%	29%	0%	0%	5%	5%	10%	101%
1952	20%	28%	36%	1%	2%	3%	4%	6%	100%
1957	26%	29%	28%	1%	0%	7%	3%	6%	100%
1957	28%	26%	23%	5%	2%	8%	3%	5%	100%
1969	46%	21%	16%	1%	2%	5%	1%	8%	100%
1975	35%	12%	17%	4%	2%	9%	7%	14%	100%
1976	29%	22%	12%	2%	4%	6%	9%	16%	100%
1979	37%	18%	14%	1%	2%	9%	7%	13%	101%
1983	38%	10%	10%	NA	2%	4%	NA	35%	99%
1986	54%	14%	13%	1%	2%	2%	8%	7%	101%
1988	68%	7%	13%	1%	2%	2%	25%	3%	102%

Source: Somboon (1990)

composition and relationships within government. But most Thai parties have not lived up to their expanded roles. Aside from a few notable exceptions (Democratic Party and possibly the Social Action Party) parties were formed to strengthen the electoral aspirations of their members rather than to clarify ideological debates or establish positions on major issues.

Election laws requiring candidates to be party members were aimed at countering personality-based tendencies in Thai electoral politics. But this has not led to significant party reform. Parties tend to be held together by those who bankroll them expecting to gain access to powerful, and lucrative, government positions. Party instability is almost inevitable as internal factions squabble over access to limited Cabinet slots. Denied access, loosing party factions may simply withdraw and set up new parties.

The need for political party reform is one of the most widely recognized and discussed political issues in Thailand. Serious progress toward reforms, however, has not been occurring.

Technocratic Bodies

Under PM Prem in the 1980s, a small cluster of technocratic organizations were placed in a central role in policy formation. These organizations were mostly staffed either by foreign trained economists and technicians or Prem's own clients. Technocratic bodies include:

1. Council of Economic Ministers: Consisting of Prem- appointed economic ministers. Decisions had the formal status of government policy. The NESDB is the Secretariat and PM is the chairman.

2. National Economic and Social Development Board (NESDB): This national planning body in the Office of the Prime Minister has a large staff of technocrats.

3. Thai Development Research Institute (TDRI): An independent think tank initially funded by USAID and CIDA. TDRI has a close relationship with the NESDB and many of its staff are from NESDB.

The Joint Public Private Sector Consultative Committee (JPPSCC) is a fourth body which has technocratic characteristics in that it facilitates coordination of policy with the needs of business. JPPSCC members include the Thai Chamber of Commerce, the Federation of Thai Industries, and the Thai Banker's Association, representatives from key ministries, the NESDB as Secretariat and PM as chairman.

While all four organizations continue to function under the current government, they have been greatly reduced in importance.

3. AN INTERPRETATION OF RECENT DEVELOPMENT HISTORY

In this section we review the major developments of recent Thai development history using the analytic categories described above. At the risk of oversimplification, particularly of the period before 1980, we have chosen to focus on three main historical periods--pre-1980, 1980-1988, and 1988 to the present.

A simplified graphic representation showing the relationships between the main political economic classes and the role of each in parliament during these periods is provided in Attachment 2.

3.1 Military/Bureaucratic Polity (Pre-1980)

The central underlying dynamic in the Thai political drama over the past six decades has been the struggle for dominance between the military-led bureaucracy and the business class.

Since the mid-1950s this struggle has taken place within a broader encompassing alliance that generally subordinated the interests of other components of Thai society. In the period before 1980, the military-led bureaucracy retained the dominant political role. But it also pursued policies leading to rapid expansion of the business class and major socio-economic transformation of Thailand that would eventually undermine military dominance.

Political Economy (pre-1980s)

In the mid-1950s the Thai government ended efforts to create a viable counterweight to Chinese-owned business through the state rice export monopoly, SOE manufacturing initiatives, and anti-Chinese discriminatory policies.[4] Thereafter, the military and bureaucratic elites began to tap the profits of major private businesses in return for protection and special access to lucrative opportunities. The new alliance was built on a diversified array of individual linkages intertwining the interests of military-bureaucratic officials and businessmen. These linkages were facilitated by the reorganization of large enterprises along corporate lines making it possible to offer stock options and financially rewarding board memberships to key elites without the appearance of open graft. From 1961 on private business was nurtured and strengthened through pro-growth, pro-industrialization policies formalized under the Thai Five-Year Plans.

The military-bureaucratic elites were clearly the dominant partner in this alliance. The industrialization policies of the 1960s and early 1970s emphasized Import Substitution Industrialization (ISI), involving substantial government support in the form of strong tariff barriers, special tax incentives, and subsidized credit. Precisely because enterprises operated in such a heavily regulated economy, businessmen were dependent on political connections. Through the 1960s and 1970s the military-bureaucratic elite controlled access to lucrative business opportunities.

Political Institutions (pre-1980s)

The Thai political system after 1932 and up to at least the mid-1970s has been referred to as a **bureaucratic polity**. In this

system, the bureaucracy was politically dominant and largely autonomous. It pursued both policy initiatives and its own material interests without serious challenges from extra-bureaucratic social forces. Its own leadership consisted primarily of a combination of retired military and professional officials from its own ranks.

The military ensured continuation of its control by denying business and other groups meaningful independent access to policy formation mechanisms. After the 1932 Revolution, parliament became a critically important symbol underpinning claims by most succeeding ruling groups that their governments were based on popular sovereignty. But in fact parliament was never allowed to become a serious check on the prerogatives of ruling groups. It was always neutralized through skilful manipulation of its structure, procedural rules, and member composition. Whenever the elected house began to seriously undermine the authority of the ruling elite, the military resorted to coups d'etat (four of the eight coups after the 1932 Revolution were of this type).

Two basic patterns of governance within the bureaucratic polity can be discerned between 1932 and 1980--**dictatorial** (authoritarian) regimes and **semi-democratic** regimes (approximate periods of duration are summarized in Figure 5-following page). During periods when government was controlled by **dictatorial** regimes, high ranking military and civil government officials were appointed to all executive and (except when parliament was disbanded altogether) legislative posts. Policy formation remained in the hands of a very small core of military elite. During periods of **semi-democratic** government power was still held by professional bureaucratic and military elites through an appointed Cabinet and (often) an upper legislative house. But a popularly elected body also provided limited access to government from outside the military and bureaucratic elites.

Figure 5
Thai Political Institutional Form by Year

YEAR	POLITICAL FORM *	YEAR	POLITICAL FORM
1931	Monarchial	1961	Dictatorial
1932	Dictatorial	1962	Dictatorial
1933	Semi-Democratic	1963	Dictatorial
1934	Semi-Democratic	1964	Dictatorial
1935	Semi-Democratic	1965	Dictatorial
1936	Semi-Democratic	1966	Dictatorial
1937	Semi-Democratic	1967	Dictatorial
1938	Dictatorial	1968	Dictatorial
1939	Dictatorial	1969	Semi-Democratic
1940	Dictatorial	1970	Semi-Democratic
1941	Dictatorial	1971	Dictatorial
1942	Dictatorial	1972	Dictatorial
1943	Dictatorial	1973	Semi-Democratic
1944	Semi-Democratic	1974	Semi-Democratic
1945	Semi-Democratic	1975	Semi-Democratic
1946	Semi-Democratic	1976	Dictatorial
1947	Dictatorial	1977	Dictatorial
1948	Dictatorial	1978	Dictatorial
1949	Dictatorial	1979	Semi-Democratic
1950	Dictatorial	1980	Technocratic
1951	Dictatorial	1981	Technocratic
1952	Dictatorial	1982	Technocratic
1953	Dictatorial	1983	Technocratic
1954	Dictatorial	1984	Technocratic
1955	Dictatorial	1985	Technocratic
1956	Dictatorial	1986	Technocratic
1957	Dictatorial	1987	Technocratic
1958	Dictatorial	1988	DEMOCRATIC
1959	Dictatorial	1989	DEMOCRATIC
1960	Dictatorial	1990	DEMOCRATIC

* NB: Years are classified by changes in that year.

Major conflicts did occur within the military and within the military-led bureaucracy throughout this period, primarily along

patron-client and/or Military Academy class factional lines. In the military the struggle was over national leadership (meaning control over the bureaucracy--and the power, wealth, and status linked to this). Four of the eight coups after 1932 were carried out by one military faction replacing another. In the bureaucracy, conflict centered on access to lucrative and powerful positions, most relating to contracting and business regulation.

By the late 1960s the pro-growth policies pursued by the Thai government were yielding substantial GDP growth and the beginnings of major socio-economic transformation. A broad defacto alliance of political forces including students, intellectuals, middle class professionals, and business interests tired of official corruption were ready to oppose military-bureaucratic dominance over Thai politics. The retreat of the military in response to student-led agitation in 1973 and the support of the King against a repressive military crack-down led to a sudden, though temporary, inability of the military to use repressive means to maintain the status quo. Open organizing among farmers and the growing urban workforce followed immediately, as did an increasingly complex and essentially unmeetable array of demands from students, workers, and farmers.

By 1976 the military, bureaucracy, <u>and</u> business classes feared unacceptable and possibly irreversible changes in the Thai political system. The violent coup was followed by over a year of severe repression.

Despite the importance of the 1973-1976 period as a political and ideological watershed for Thailand, from a political economic perspective it did not reflect any fundamental change in the nature or balance of class interests. That is, the dominant military-led bureaucracy in alliance with subordinate elements of the business class remained intact and in defacto control throughout the period. Economic growth driven by the expansion of private sector business and the expansion of exports continued unabated along the trajectory begun in the early 1960s.

The general relationships between components of Thai society

and access to parliament during in the long period before 1980 are summarized in Attachment 2 (A).

3.2 Technocratic Polity (1980-1988)

a. Political Economy (1980-1988)

The accelerated economic growth and socio-economic transformation achieved through pro-growth policies since the 1960s increased the size and economic importance of the business class relative to the military-led bureaucracy. By 1980, three major trends had put business in a very strong position vis-a-vis the military-bureaucracy and other classes:

First, by the late 1970s rapid industrialization had swelled the numbers and diversity of independent manufacturing and service business interests outside of traditional banking and primary commodity trading circles.

Second, despite generally conservative fiscal policies through the 1970s, Thailand was facing an increasingly vulnerable financial situation resulting from greater public demand for development investments, high costs of counterinsurgency, and with a deteriorating trade and current accounts balance and growing budget deficits (Figures 6 and 7). It had become essential to maintain international business confidence to ensure continued capital inflows through both direct investment and loans.[5]

Figure 6
Thailand's Trade Balances and
Current Accounts Balances, 1960-1980
(million baht)

	1960	1970	1980
Trade Balance	-884	-12,245	-57,985
Trade Balance/GDP	-1.6%	-9.0%	-8.5%
Current Account Balance	+1	-5,197	-42,564
Current Acct Balance/GDP	+.4%	-3.8%	-6.2%

Source: Adapted from Hewison, 1987 (p67)

Figure 7
Thailand's Budget Deficits, 1960-1982
(million baht)

1960	-800
1965	-1,251
1970	-7,352
1975	-8,115
1980	-18,511
1982	-21,368

Source: Hewison, 1987 (p68)

Third, labor unions, the Farmer's Federation of Thailand (FFT), and the student movement had all been thoroughly disrupted under the short-lived but highly repressive Thanin regime and continuing anti-insurgency efforts by the military. By 1980, this left the military-led bureaucracy and a much strengthened business class as the only real contenders for political power in Thailand.

b. Political Institutions (1980-1988)

Thailand had endured 22 straight years of dictatorial rule between 1947 to 1969. Over the next turbulent decade (1969-1979), the form of government flipped back and forth five times between dictatorial and semi-democratic rule (Figure 5). Clearly, the older dictatorial style of politics was not sustainable in the face of (1) the increasing demands of the rising business class for direct access to decision-making processes, and (2) heightened popular demand for broader democratic participation in government. At the same time, the semi-democratic forms in 1969-1971 and 1973-1976 had the built in tendency to unleash broad popular demands on government and this was unacceptable to the still powerful military and bureaucratic establishments.

By 1980, then, a new type of political arrangement was needed. This new type of polity must do three things: (1) secure enough of

By 1980, then, a new type of political arrangement was needed. This new type of polity must do three things: (1) secure enough of the general interests of the military and bureaucratic elites that another coup could be prevented, (2) ensure establishment of the pro-business economic environment essential for meeting the general fiscal and regulatory needs of the business class, and (3) establish a basic institutional framework for participatory democracy adequate to ensure broad popular support.

The 1978 Constitution laid the groundwork for constructing a government able to meet these requirements. The system which emerged under PM Gen Prem Tinsulanond can be referred to as a form of **technocratic polity**.[6] In some ways Prem's system was similar to other **semi-democratic** governments before it. As in earlier cases, the central ruling group consisted of one faction of the military. An elected House of Representatives, held in check by an appointed Senate with veto power, was allowed some degree of involvement in government decision-making.

But the Prem government differed from all earlier Thai political arrangements in that the core leadership stood outside the contending political forces which surrounded it: (1) the direct relationship between Prem and King Bhumipol (who is viewed as the one actor operating only in the national interest) greatly enhanced Prem's legitimacy; (2) Though Prem pursued rational pro-growth, pro-business policies, he kept most major policy decisions out of the hands of both elected politicians and the bureaucracy. They were channelled instead through his specially appointed professional, apolitical technocratic bodies discussed earlier (Section 2.2).

Prem's elevation of these bodies to defacto policy making status was opposed by both the bureaucracy and the parliament. The main complaint was that use of the technocrats meant that much of the government's decision making process was kept not only outside the control of elected representatives and the ministries, but outside the full Cabinet as well.

There were major political advantages and disadvantages to the technocratic polity. Most important, the interests of the busi-

ness class and the military-led bureaucracy could be kept in balance. The military-bureaucratic elite could be reassured that their general interests could be secured through the appointed Senate and Cabinet. The down side was that the use of the technocrats for major decisions reduced the ability of the bureaucratic elite to amass wealth through corrupt practices. On the business side, the pro-growth, pro-business policies of the technocrats were viewed positively. But the system side-stepped elected representative politics which a few wealthy business interests could dominate. It thus denied powerful individual businesses privileged access which they had come to expect and to depend on.

The technocratic polity itself created the conditions which eventually resulted in its replacement--i.e., the political stability which it fostered simultaneously eroded the position of the military-bureaucrats and led to demands for direct party control over selection of the Prime Minister and Cabinet. First, the demonstration that a relatively democratic regime could <u>last</u> and perform well helped to further entrench democratic values and expectations across Thai society. Second, the rapid expansion of export-led industrialization led to a growing diversified private middle class which rejected military involvement in government. Third, political stability gave time for parliament to become more institutionalized. In effect, this resulted in a systematic erosion of the barriers that had long existed between the political parties (and therefore business class) and direct authority over the bureaucracy. One watershed event was the failure of the military in 1983 to prevent implementation of the interim clause in the 1978 Constitution clause reducing the power of the appointed Senate and barring acting military or bureaucratic officials from serving in future Cabinets.

The technocratic polity was therefore highly successful in laying the fiscally conservative foundations for rapid industrial expansion through the late 1980s and probably well into the 1990s. But the demands for a transition to a fully democratic system with an elected PM increased through the mid-1980s and the short-lived technocratic polity came to an end when Prem declined another term as appointed Prime Minister in 1988.

c. Military Search for New Allies

The various changes through the 1980s discussed above--both socio-economic and institutional--had a profound effect on the role of the military. Except for a few brief exceptions, under all governments since 1932, the military elite had remained in control of the bureaucracy. Both the ideological and institutional basis for this relationship were being seriously eroded by the early 1980s. Refusal by the majority of the Army to support two attempted coups (1981 and 1985) showed that most military men recognized that they had lost the ability to carry out a coup and retain enough legitimacy to rule afterwards. A new foundation for a direct military role in government had become essential.

Some see the military's linkages to rural populations and SOE labor, which originated in efforts to undermine the CPT insurgency in the late 1970s, as that new foundation. These linkages have both ideological and organizational dimensions. Until the 1980s, the ideology of the military had been shaped by the Nation-King-Religion values renewed in the 1960s combined with a fierce and uncompromising opposition to communism which was viewed as sharply opposed to these values. In the late 1970s a group of military officers (primarily the Democratic Soldiers) put forth a new interpretation of the underlying causes of the insurgency. They saw the "problem" as the lack of social justice due to exploitation by the bureaucracy and by unscrupulous self-interested businessmen. Social justice could only be ensured by implementing a more pervasive and effective system of bottom-up democracy, which the military itself would oversee and guarantee. This new interpretation became official policy through Prime Ministerial Order 66/2523 (1980) and was further strengthened through Order 66/2525 (1982) and 66/2529 (1986).

This interpretation differed from the official line of the CPT, which it was initially designed to counter, on only two major points. First, injustice and exploitation were not viewed as the result of capitalism per se, but of unscrupulous individual capitalists, the so-called "dark influences"(ithiphon meud). Second,

the guarantor of a more effective democracy would be the military rather than the CPT.

As supporters of the new counterinsurgency program moved into positions of military leadership after the failed 1981 coup, they began to publicly express these sentiments.

Direct organizational linkages between the military and peasant and worker groups were established through a wide range of rural mobilization programs were put into place. These include the National Defence Volunteers, Volunteer Development and Self-Defense Village pro-gram, the Military Reservists for National Security, and various mass-psychological programs including taharn pran (local rangers) and santi-nimit. These linkages give the military a powerful tool for mass mobilization.

The fact that both the ideological and organizational elements of the 66/2523 program have continued long after the disintegration of the CPT has been taken by many observers as strong evidence that some elements of the military hold the vision of a military-led corporatist, centrally-managed society and economy. At the very least, these developments widen the ability of the military to intervene in the political process.

The general relationships between components of Thai society and access to parliament during the period from 1980 to 1988 are summarized in Attachment 2 (B).

3.3 Emerging Democratic Polity (1988-Present)

By 1988, opposition to Prem's technocratic polity was widespread. It was attacked as insufficiently democratic since the Prime Minister himself was not an elected MP and use of the technocrats circumvented parliamentary oversight. New elections and the formation of the Chatichai coalition gave Thailand its first elected Prime Minister in a decade.

Though the appointed Senate still serves primarily as the means of the military and bureaucratic elites to check House initiatives, its power is now limited. Moreover, new appointments of one-third of the Senate in April 1989 greatly strengthened the power of both the business class and the parties, at the expense of the military.

Through the Cabinet the political parties have become the organizational mechanisms for direct business authority over the bureaucracy. Because Cabinet positions are now allocated among coalition partners, MP status has taken on far greater significance than it had in the past. This in turn has raised the importance of elections. Winning elections now provides access to bureaucratic decisions as never before. Perhaps not surprisingly, wealthy business interests have used economic leverage to ensure that they control political access. The result is an increase in the scope and significance of vote buying. This practice is not simply an unfortunate transitional side effect, but instead forms the mechanism by which narrow business interests have now gained control over the system as a whole.

This is not to suggest that all politicians are now primarily working for narrow business interests--many are working toward institutionalizing a more widely representative parliamentary system. (For example, the Institute of Public Policy has been working closely with interested parliamentarians to strengthen both the committee system and parliamentary outreach to the public.) Many aspects of these efforts to "reform from within" appear to be quite successful--a Parliamentary Development Plan which serves as a framework for future institution building efforts has now been passed.

In one sense, a major peaceful revolution was culminated in 1988 when the close alliance between the military and bureaucracy established in 1932 was finally breached. At that point, the military elite was effectively pushed out of control over the bureaucracy. This was accomplished by a loose coalition of emerging social forces in Thai society, the business class being only one among these. But rather than significantly broadening popular access to decision making, certain elite components of the

business class moved in through the party system to establish control over the bureaucracy.

The military response to these developments has been divided. The material interests of the military elite have probably been threatened by recent political development. Though individual links between the business class and military elites still persist, they are becoming less relevant. With factions of the business elite now contending among themselves for direct access to Cabinet posts, the importance of past business dependence on the military has greatly diminished.

Some factions of the military appear to be quite content to retire from the political scene and concentrate on developing a more modern professional military. Significantly, factions of the military who would resort to the traditional means of coup d'etat to reestablish the status quo have not been able to do so.

However, there is growing evidence of "behind the scenes" manipulation by the military leadership of its direct linkages to mass organizations. Linkages to the SOE unions appear to be the most important. The successful resistance beginning in late 1989 of these unions to RTG plans for privatization of key infrastructure has been widely interpreted as at least in part orchestrated by the military. The potential strangle-hold over the economy of these public service SOE unions gives them, and their political "controllers", tremendous potential leverage in government decision-making. This is not lost on elected government representatives. (One interpretation of the recent diffusion of the port crises and other potentially crippling SOE strike actions is that the Supreme Commander has used them to gain agreement for his appointment directly to the Cabinet, thus side-stepping the necessity for election.)

Another March 1990 development, rooted in similar activities over the past several years, has been the march on Bangkok (including a petition to the King) of a group calling for the resignation of parliament and the establishment of a more effective democracy <u>based on Order 66/2523</u>. The military denies any linkage to this. But the perception that such groups are

controlled behind the scenes by the military gives them major significance. The military has increasingly sought to project an image of itself as the guarantors of the broader interests of Thai society against narrowly self-interested politicians, businessmen, and other "dark influences".

The relationships between various classes and their representation in parliament since 1988 are shown in Attachment 2 (C).

4. ALTERNATIVE FUTURES

4.1 Unsustainability of Current Political Arrangements

Thailand's present political arrangements in which individual business interests play the central and largely unchallenged role in directing the bureaucracy are probably not sustainable. There are several reasons for this.

a. Increasing Public Demand for Addressing National Issues

Thailand must now address a range of new challenges arising from rapid industrialization through the 1980s. The most important among these are:

- Inadequate infrastructure base
- Inadequate labor skills base
- Depletion or degradation of the natural resource base and the environment
- Growing concern over inequitable income distribution
- Increased economic importance and sophistication of diverse groups outside traditional elites

The magnitude of these problems is leading to increasing demands for resolution from all sectors of Thai society. But there is also growing polarization of Thai views regarding how, and when, they should be addressed. **Pro-stability** forces argue that growth cannot continue at the current pace and that Thailand now needs to consolidate long-term growth trends through more attention to income distribution, pollution, and infrastructure--even at the cost of foregoing some growth in the 1990s. **Pro-growth** forces acknowledge that serious challenges are arising from past high growth, but argue that the resources for resolving national problems can only be generated through further rapid growth--slowing growth will just delay resolution. While the **pro-stability** view is probably held by most Thais, including many technocrats, the **pro-growth** approach is preferred by the powerful business interests now controlling the government.

The difficulty for the present government is that it is not organized to address either the issues or the **pro-growth** vs. **pro-stability** debate. As discussed earlier, political parties are organized around patron-client factions aimed at serving the interests of their members primarily by providing access to powerful and lucrative ministerial positions. The coalition leadership focuses on maintaining a balance among contending factions rather than addressing national problems. In any case, tackling the list of challenges noted above (essentially a **pro-stability** approach) is unlikely when most of the powerful business interests now dominating government policy hold **pro-growth** views.

b. **Military Aspirations**

The stability of current political arrangements is also threatened by uncertainties over military aspirations. The present political arrangements isolate the military from direct day-to-day intervention in government decision-making. (Active military and bureaucratic officials are barred from serving on the Cabinet.) Nonetheless, the military leadership still plays a central, albeit indirect, role in political manipulation. It is widely perceived that no Prime Minister or Cabinet could continue in the face of concerted military opposition.

Civilian governments face uncertain actions by the military on three counts: First, while the ability to conduct a successful coup has been reduced, this option still exists--and has decades of precedence. Even a failed attempt (like 1981 and 1985) could destabilize the current government. The potential for direct military action still hangs like a pall over the Thai political process.

Second, the military leadership has its own behind-the-scenes linkages to various components of Thai society. Military connections to SOE unions have become highly significant since these control vital public infrastructure. The threat of SOE union action (and the ability to defuse it) gives the military powerful leverage over the elected government. This is particularly the case given that government is perceived to serve narrow business interests. More recently the military has been reaching out to the academic and business communities through joint military-civilian courses at the National Defense College (Woh Poh Or).

Third, party-based coalition government is vulnerable to accusations of serving the special interests of its members over the national interest. The military has exploited this vulnerability presumably with the aim of presenting itself as the watchdog or guarantor of broad national interests.

These vulnerabilities place the military leadership in a position to affect specific government policy decisions. But they also provide the potential for the military or its representatives to finds ways to more directly control government.

4.2 Alternative Futures: Representative Democracy or Polarized Oligarchy

If the present political system (a democratic parliamentary structure dominated by factionalized business interests) is unsustainable, what comes next? First, a coup d'etat in the old style returning Thailand to a dictatorial form of government is unlikely for reasons already discussed--primarily because it would

serve the interests of no component of Thai society except the military and perhaps some business allies. Second, a return to a Prem-style technocratic polity is possible but unlikely. There is no obvious military leader of Prem's stature and character. More importantly, the conditions for initial establishment of the technocratic polity in the early 1980s--a weak parliament and therefore a "balance of power" between military-bureaucratic, business, and technocratic interests--are long past.

Two alternative futures can be envisioned.

a. Broadly Representative Democratic Polity

The current system could evolve toward a more broadly representative democratic polity. This would require that institutional and organizational mechanisms be developed which would draw a wider range of Thai society into the political process. Under the 1978 Constitution, Thailand has made major strides toward establishing the institutional base for a truly representative democratic polity. But those institutions are still not yet consolidated, allowing the Parliament, Cabinet, and the political party system to be used to serve the interests of a narrow group of politicians and businessmen. More effective participatory mechanisms are now needed to make elected representative structures more functionally democratic. Elected representative bodies, both national (parliament) and local, could become the fora in which diverse social forces (not just business factions), with different and often competing interests channelled through political process, forge sustainable consensus on critical national and local issues.

Movement toward a more broadly representative polity will involve critical institution building efforts from within parliament and locally elected councils (e.g., strengthening the Parliamentary Committee system where issues should be debated and policy formulated). But it will also require a strengthening of channels of information and demands into these elected bodies. More representative political parties competing for votes on the bases of issues and ideology are important, but reform of the parties is unlikely to occur without greater demand from outside.

Stronger independent advocacy organizations which articulate and express the interests of diverse groups and can be a potential source of voter demand are critical in this regard.

b. Bi-Polar Oligarchic Polity (Business vs. Military)

The failure to significantly broaden access to the political process could lead to a widespread deterioration of public confidence in elective democratic processes. The party-based parliamentary system could become perceived as unworkable by many Thais who might, in principle, prefer an open democracy. Frustrated with the inability of the system to meaningfully address their needs, support could grow for a military-led "corporatist" political system.

Though this would mean a move back into formal politics by military leadership, it would almost certainly involve a constellation of political linkages and ideology fundamentally different from past military involvement in government. From the mid-1950s through the mid-1970s the personal interests, government policies, and ideology of the Thai military leadership were closely interrelated. Their material interests were served through a network of individualized alliances with business interests. The economic and political policies they pursued were aimed at rapid business growth in a stable political environment. Ideological predispositions (anti-democratic, anti-communist, pro-business) neatly paralleled these interests.

In the 1990s, however, the way back into government for the military cannot be through support for business as a "subordinate ally"--business interests are now directly served through the party system and through parliament. Rather, the military would seek to capitalize on the informal but direct linkages to rural communities, SOE unions, intellectuals, and "middle class" which it has been building since the late 1970s. These forces would be mobilized against what would be cast as the narrow business interests controlling the parties and parliament. The military (or one faction) could credibly present itself as the only institution capable of acting in the interests of all segments of

Thai society.

Ideologically, this would most likely be reflected in the Army's vaguely defined terms of a radical democracy aimed at guarding against exploitative "dark influences" and justified by Order 66/2523. This version of democracy has never been well defined, but it appears to include direct election at the lowest levels of government (reflected in the 66/2523 order and Army statements in the mid-1980s) and higher level decision-making or advisory bodies made up of persons appointed to represent different social segments (e.g., arguments made in 1983 for retaining a powerful appointed Senate).

The role of the military as guardian of democracy would perhaps be bolstered by the comprehensive Internal Security Act (based on the Singapore model) currently being drafted. This act, if passed into Law, would give the military wide-ranging powers regarding "economic crimes" and social dissent.

Economic policies pursued by a military leadership with this type of political and ideological base would lean toward a form of corporatism under which a greater degree of central management of business affairs and a more regulated economy would be justified as being in the Thai public interest.. In the extreme case, this might involve nationalization of industries considered to be "strategic".

One likely route for military leadership into government would be through a "popular" demand by various (secretly) mobilized groups that the existing government resign. This would open the way for a non-party appointed military or ex-military Prime Minister who would then have at least partial control over the selection of the Cabinet. As long as King Bhumipol remains on the throne his blessing would be essential. Current indications are that he would be unlikely to be willing to reverse the current movement toward a fully functional democracy. However, an economic or political crisis, or a royal succession, could lead to support from the throne for an appointed military Prime Minister.

It is important to note that a broad segment of the educated

Thai citizenry (including businessmen, intellectuals, and a portion of the private "middle class") would continue to demand continuation of the Thai elective parliamentary system. Moreover, economic performance now depends on continued industrial (particularly export manufacturing) growth and new investment. Continued access of business interests to policy formation would therefore be essential and any military dominated government would almost certainly recognize this. These factors would help to secure the continuation of a party-controlled parliament and an ability of the parties, still representing business interests, to select some Cabinet members.

The foregoing scenario would result in a highly polarized oligarchic polity with a Cabinet split between populist appointed representatives of the military and an elected party-controlled House of Representatives with MPs largely representing narrow business interests. The policies which such a government would pursue would depend in large part on the balance of forces within the Cabinet, but the results would almost surely lead to a faltering along the Thai growth trajectory.

However, the system itself could remain stable long enough to become relatively entrenched, thus resembling the political systems of much of South America until quite recently. Declines in economic performance could be blamed on the inability of the political parties to resolve their factional disputes. Though these accusations might not do well among the educated electorate, they would be well accepted by those sectors of the population which could be mobilized through informal linkages to support a military role in government.

The relationships between political economic classes and the ties of each to parliament under each of these two alternative future scenarios is shown in Attachment 2 (D and E).

4.3 Determinants

Movement toward a fully **Democratic Polity** or something like a **Bi-Polar Oligarchic Polity** will depend on several factors:

1. **Progress in Party Reform and Institutionalizing Elected Bodies:** Political parties and elected representative bodies must develop a credible capacity to serve as the institutional mechanisms for forging a sustainable consensus among all contending social forces.

2. **Performance of the Thai economy:** Continued gains in employment opportunities under conditions of low inflation and limited rise in cost of living help to reduce the immediacy of popular demands for reform. Of major importance in this regard is agricultural performance, which depends on unpredictable weather. A major downturn in the Thai economy which is now vulnerable to international events and trends or a bad agricultural year could have disastrous political consequences by focusing public attention on the weaknesses of present political arrangements.

3. **Continued Public Support for a Strong Parliamentary Role:** This is a complex issue in part tied to the above two points. Most observers point out that the behavior of less responsible politicians is undermining public confidence in the system. Though some politicians are working diligently for reform, it is unlikely the majority of Thais are aware of these efforts since the media concentrates heavily on cases of corruption and other political failings.

4. **Effects of Political Maneuvering:** Given the large number of military and parliamentary players involved and constantly changing alliances and conflicts, the effects of political maneuvering are impossible to predict. Projection of the two scenarios is based on the possibilities emerging from broader class interests and alliances and from institutional developments. Movement toward one scenario or the other, however, depends on unpredictable day-to-day responses to emerging conditions by key individuals and factions.

5. **Military Aspirations:** Military aspirations for a direct role in governance and what means various factions are willing to

use are not clear. One important question is whether the aspirations of current leaders can be channelled into elective party-based politics.

Because these factors introduce unpredictability into political projections, there are divergent views among Thai political observers on the likelihood of the reentry of the military into government as the representatives of populist forces. A few see the apparent manipulation of mobilized groups as simply serving the interests of individual military leaders but not as a serious threat to the long-term institutionalization of a more pluralistic representative democracy in Thailand. More widely held is the view that the party and parliament-based democratic system is in a race to prove itself capable of providing the country with a stable and effective form of leadership. In this perspective, there is a "window of opportunity" which will not remain open indefinitely.

How long the window remains open depends on the various unpredictable factors noted above. What is certain, however, is that efforts made today to strengthen democratic participatory institutions, both from within elected representative bodies and through independent advocacy organizations, will help to determine the path of Thailand's political and economic future well into the next century.

This suggests that Thailand now faces two major socio-political tasks for the 1990s if it is to stay on the current path toward strong democratic institutions:

1. Strengthening elected representative bodies (parliament and local elected councils) as the best means for creating open and sustainable consensus on key policy issues and for improving public accountability.

2. Widening access to the political process by emerging components of society outside the current military, bureaucratic, and business elites.

5. IMPLICATIONS FOR THE USAID/THAILAND PROGRAM

The preceding analysis carries several implications for the USAID/Thailand program.

5.1 Dynamic Political Situation

While the long run trends toward more open markets and more open democratic society in Thailand have remained stable, there has been much short run turmoil. Until democracy becomes more fully institutionalized, rapid changes in actors, coalitions, and positions can be expected to continue. The changes will not be easy to predict, and this has at least two implications for the USAID program.

a. **Maintain Program Flexibility:** A highly pre-determined "blueprint" program based on current conditions could become quickly outdated. The Mission should be prepared to make adjustments to its program to meet evolving political circumstances. It should avoid over-design which would restrict the ability to change course to get out of areas where progress becomes unlikely and to take advantage of emerging opportunities. This suggests the need for building in maximum flexibility at both the program and project level.

b. **Emphasis on Broader Objectives:** To the extent possible, mission staff should place greater emphasis on keeping in touch with a wide range of political issues, institutions, and developments in order to respond realistically and effectively to counterpart and grantee needs.

5.2 Responding Effectively to Political Sensitivities

Under the Technocratic Polity in existence during most of the 1980s, major policy decisions tended to be made by the core group of technocrats in government. Today decisions are being made in a much more politicized atmosphere. Many of the policy reforms which the mission would like to see Thailand adopt--such as privatizing public infrastructure--are becoming far more difficult today. This is particularly the case where U.S. agendas appear to directly serve U.S. interests (e.g., IPRs and cigarette imports). This suggests the need for greater mission emphasis on two areas:

a. **Determining Political Feasibility:** The mission needs a strong capacity to identify the political implications of its various program efforts and to determine where political resistance is likely to make significant progress difficult or impossible.

b. **Emphasis on Substance:** In many cases, there is less resistance to the substance of specific policy reforms than to the rhetoric which is used. Program management should focus on the non-controversial nature of program substance rather than on over-arching concepts ("privatization", "democratic pluralism", etc.) which bear uncertain and different meanings in Bangkok and Washington.

5.3 Private vs. Public Sector Focus

In many, perhaps most developing countries, the executive bureaucracy is largely isolated from public accountability. Under those conditions efforts aimed at reforming and building government institutions from within to achieve economic growth may be unsuccessful. For this reason, A.I.D. has increasingly sought to focus its program on developing the private sector.

While in the past the Thai military-led bureaucracy was the dominant force in government, recent political changes making the bureaucracy accountable to elected officials is fundamentally altering this picture. The bureaucracy is increasingly aware of and willing to respond to public pressures for reform to meet the needs of a modern society and economy. But in many cases it lacks the resources needed to carry out regulatory and administrative reforms rationally and appropriately.

Under these conditions, bilateral assistance which is specifically aimed at major institution building could yield impressive results in Thailand over the coming years.

5.4 Risks of Over-Emphasizing Awareness Building

Independent non-government advocacy organizations are the primary mechanism for effectively articulating and channelling the concerns of diverse popular interests into government decision-making fora. Political developments over the past decade have resulted in the widespread recognition of the legitimacy of responsible advocacy by such groups.

Advocacy organizations are becoming increasingly effective at identifying and spreading awareness of key problems faced by their constituencies or by the public at large. But most have difficulties moving to the next stage of concrete problem resolution. The latter step is more difficult and often requires new skills in mobilizing technical and information-related resources and working more closely with executive, legislative, and/or judicial components of government on both local or national levels to resolve problems. Unbalanced emphasis on the first step, i.e., "demand generation", without concentration of the ability of such groups to participate effectively in problem resolution simply contributes to public frustration and an erosion of confidence in democratic means for problem resolution.

This is particularly the case in environmental advocacy which can draw in heatedly debated issues related for example to ownership of ex-forest land, high land prices, and public investment in infrastructure. While it is important for NGOs to improve their ability to raise public awareness on critical environmental problems, the more pressing problems today are to find technical solutions and to build the political coalitions essential for implementing them on a sustainable basis.

This suggests that mission support for advocacy related activities (in environment and labor in particular) should primarily emphasize building NGO capacity to contribute to problem resolution rather than simply awareness building.

NOTES

1. In part this reflects the lack of any strong legitimizing ideology which could have supported a claim by the bureaucracy to "rule in the name of the people". Indonesia provides one example of this where Pancasila has been used to justify relatively autonomous bureaucratic rule in the national interest. The ability of the bureaucracy to throw off control by the active military has resulted in a major military-bureaucratic cleavage among the Indonesia elite.

2. There is a potential ideological incongruence between "top-down" political legitimization through traditional values embodied in the symbols of Nation, King, Region and " bottom-up" legitimization through elective representative democracy. The former is based on the older Thai monarchial ideology which associates sovereign right with the King, whereas the latter locates this right with the people. Potential conflict over this incongruence has been defused through the skillful actions of the King, who has come to be associated with both sets of values.

3. We note, however, a range of views was found among contemporary observers. Some would argue that the efforts of the students, the experience of the 1973-1976 period, and the anti-insurgency, pro-democratic, mass psychology efforts of the Army beginning around 1978 have been highly successful. Others feel that democratic values which would lead to strong support for parliamentary processes are well entrenched in only a small segment of Thai society--most notably in the younger educated middle class.

4. Statist economic proposals including plans for nationalizing rice agriculture were first put forth by Pridi Phanomyoung in 1934. Though these were unsuccessful, Thai governments through the 1930s and early 1940s flirted with ideas of constructing a national economy under direct state control if not ownership. In 1946 the government instituted the state Rice Export Monopoly and it kept in place until 1956. Various state-owned manufacturing ventures were also started during this period (e.g., gunny bags (for exporting rice) and cement). None of these were very successful and by the mid-1950s the Thai government was limiting state-owned enterprises to provision of basic infrastructure-power, communications, irrigation--leaving trade and production to the private sector and the by then relatively culturally integrated Chinese businessmen.

5. There was a critical shift in emphasis from ISI to EOI economic policies in the 1980-1981 period. That shift was becoming necessary to address balance of trade requirements and in response to growing pressure from the IBRD and IMF. Once undertaken, however, policy reforms led to a strengthening of export-oriented business interests (domestic as well as foreign), thus creating a new and powerful political constituency favoring EOI policies. But it also led to a public backlash against further public borrowing which had given the IBRD and IMF the leverage to impose policy reform in the first place. It is widely felt among well-educated Thais that the country should avoid becoming dependent on foreign loans again, even at the expense of slower infrastructure improvements. Fear of reemergence of the foreign policy leverage is one major element in the growth vs. stability debate.

6. Though different in details, Thailand's <u>technocratic polity</u> from 1980 to 1988 was similar to the much longer standing examples in Korea (roughly 1960 to 1986) and Taiwan (roughly 1960 to 1988).

ATTACHMENTS

Attachment 1: CONCEPT OF POLITICAL ECONOMIC CLASS

There are different ways of looking at political economy. The framework developed here builds on what might be called the "analysis of material interests". Its core assumption is that human behavior (particularly political behavior) and, over the long term, much of human thinking itself (culture, ideology) is shaped primarily by **material interests** as people themselves perceive them. **Material interests** can be defined simply as access to goods and services, both those needed for survival and those desired either to enhance life now or to reduce risks to well-being in the future. Perhaps the best way to translate the concept of material interests in the Thai context is to focus on "sources of income" and the "conditions necessary to produce and sustain that income".

Moving from the individual to the societal level, we observe aggregates or **classes** of people with similar material interests. For example, we would expect to be able to lump together manufacturing enterprise owners as having similar class interests. Their interests would be predictably different from those of (1) the civil servants who tax and regulate their industries, (2) the financiers who provide them with capital, or (3) the wage-laborers who work in their factories. Classes, broadly defined at the societal level would include **business**, **labor**, **civil servants**, **peasant/farmers**, and **armed forces personnel**. Within these broad classes are more narrowly and less clearly defined "subclasses" (such as finance capital, trading, manufacturing, and construction interests) within the **business class**.

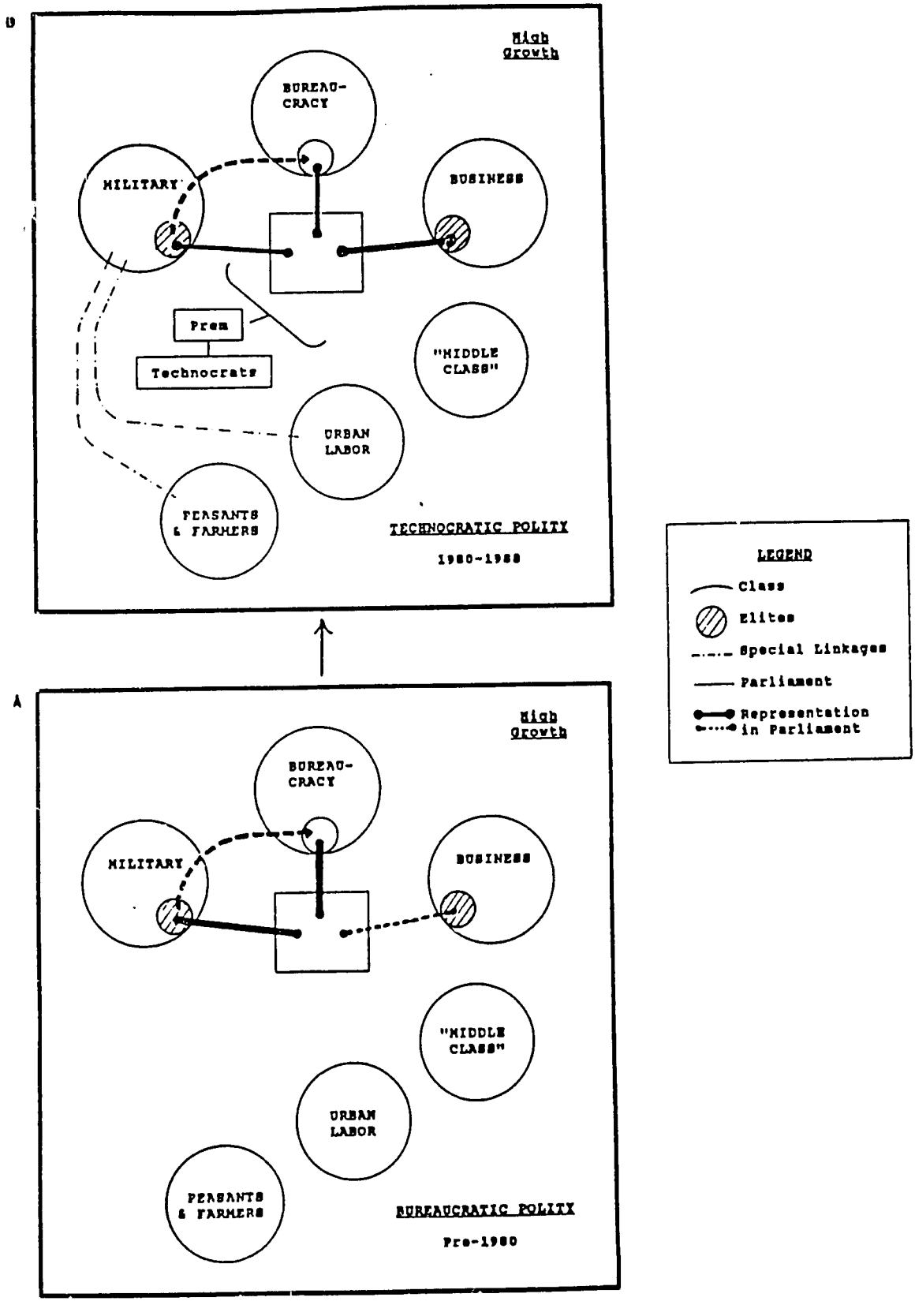
Two concepts central to this framework are **competition** (or conflict) and **alliance**. In the real world of objective physical limitations, pursuit of material interests inevitably means coming into competition with at least some other groups. Individuals and groups may therefore band together into implicit or explicit alliances to strengthen their ability to pursue their material interests. Such alliances may be developed at an individual or small group level, as in patron-client arrangements, or they may be developed and maintained at an organizational (institutional) level.

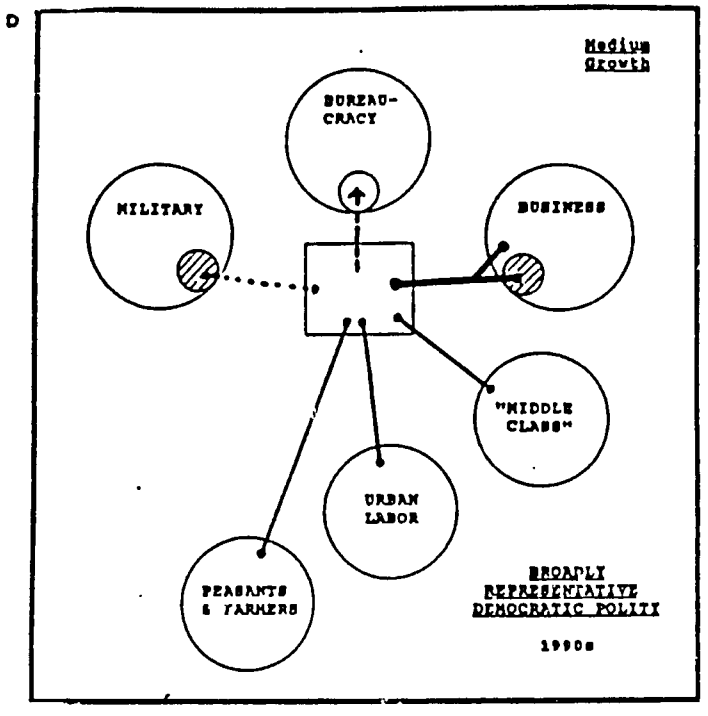
It is important to distinguish, however, between **intra-class** as opposed to **inter-class** conflict and alliance. Intra-class conflict in the business class would include, in addition to normal market competition, the often fierce infighting in highly

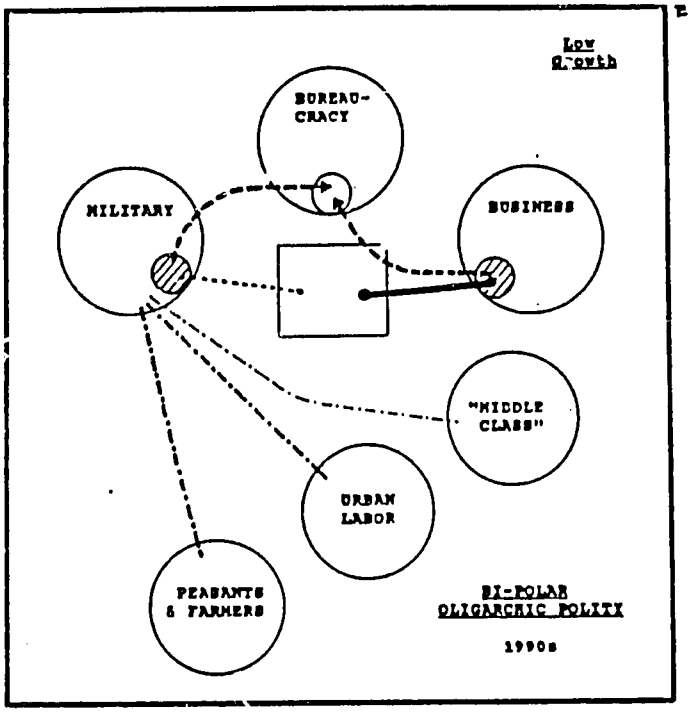
regulated economies between private sector firms competing for one-on-one alliances with powerful officials in key positions in the bureaucracy. In such cases, the conflicts within the business class spill over into conflicts within the bureaucracy. Inter-class competition appears when the business interests seek ways to limit the ability of the bureaucracy to extract extra-legal payments, or when business becomes closely allied to security elements in the military and bureaucracy which seek to thwart attempts by wage workers to organize and press their demands.

A final concept essential to this framework is **relative class dominance**. This is a descriptive term referring to the balance of political and economic power among classes in a given historical period. In practice, when members of one class are able to ensure that their interests are met first in conflicts with members of other classes, the former class can be said to be dominant. Dominance derives from an ability to define the institutional and ideological frameworks within which competition and conflict resolution take place. In practice relative dominance can only be maintained through complex and sometimes historically shifting alliances among classes and occasional use of force.

Attachment 2: SCHEMATIC REPRESENTATION OF POLITICAL ECONOMIC RELATIONSHIPS AND REPRESENTATION IN PARLIAMENT




D
Medium Growth
BUREAU-CRACY
MILITARY
BUSINESS
"MIDDLE CLASS"
URBAN LABOR
PEASANTS & FARMERS
BROADLY REPRESENTATIVE DEMOCRATIC POLITY
1990s


B
Low Growth
BUREAU-CRACY
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PEASANTS & FARMERS
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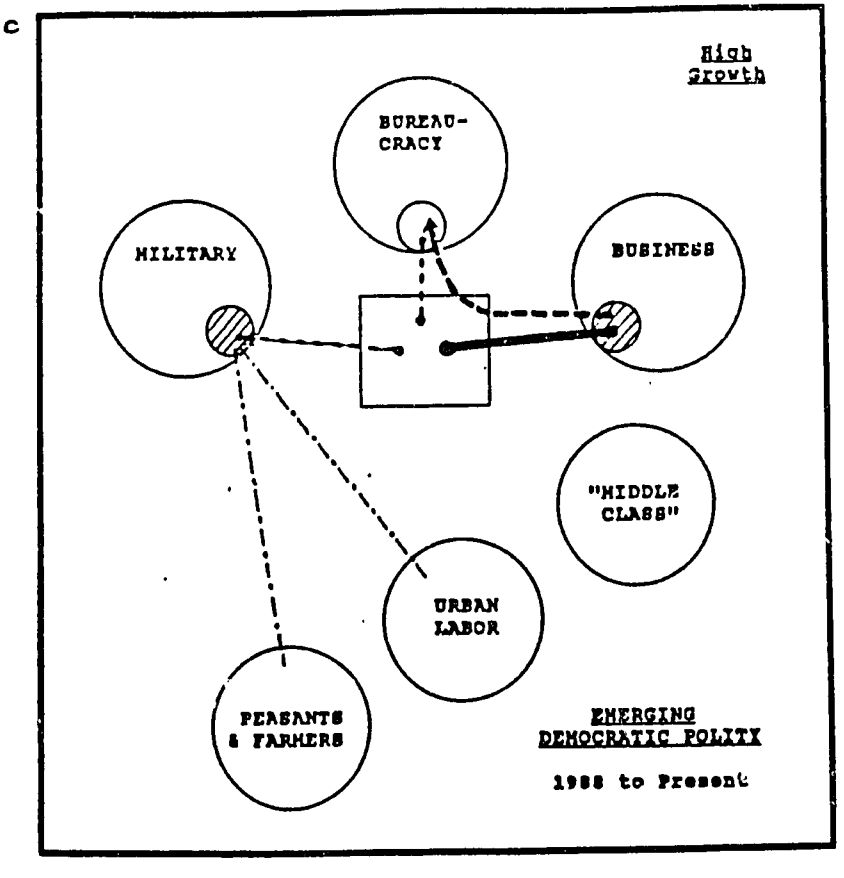
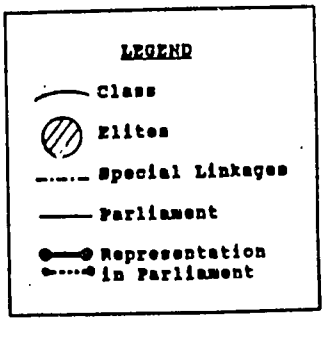
1990s


C
High Growth
BUREAU-CRACY
MILITARY
BUSINESS
"MIDDLE CLASS"
URBAN LABOR
PEASANTS & FARMERS
EMERGING DEMOCRATIC POLITY
1988 to Present


LEGEND
Class
Elites
Special Linkages
Parliament
Representation in Parliament

Attachment 3: REFERENCE MATERIALS

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Attachment 4: PERSONS INTERVIEWED

Banjob Limcharoon	Chiang Mai Provincial Council (Chairman)
Bidhya Bowornwatana, PhD	Political Science Department, Chulalungkorn University
Bunyaraks Ninsananda, PhD	NESDB, Overall Planning Division (Director)
Chai-Anan Samudavanija, PhD	Political Science Department, Chulalungkorn University
Chayan Vannaphuti, PhD	Social Reseach Institute (Director) Chiang Mai University
Chodchoi Soponphanich	Thai Environmental and Community Development (Magic Eyes) Association
Dalpino, Catherin E.	The Asia Foundation (Representative)
Dhira Phantumvanit, PhD	Natural Resources and Environment Program, TDRI (Director)
Fishman, Phillip	Asian-American Free Labor Institute, (AAFLI) (Country Director)
Jaran	Ministry of Justice
Klein, James R.	The Asia Foundation (Assistant Representative)
Krisda Piampongsant	DTEC, Division I (Chief)
Malee Suwana-adth, PhD	SVITA Foundation (Secretary General)
Marquardt, R. Niels	Labor Attache, U.S. Embassy
Medhi Krongkaew, PhD	Faculty of Economics, Thammasat University
Murphy, Michael	International City Management Association (ICMA)

Nipon Puapongsagorn, PhD	Faculty of Economics, Thammasat University
Niti Ewsriwong, PhD	History Department Chiang Mai University
Paiboon Wattanasiritham	Foundation for Thailand Rural Reconstruction Movement (President)
Pairat Decharin, PhD	Governor, Chiang Mai Province
Pairote Gesmankit	FTI, Deputy Executive Secretary
Pisan Suriyamongkol, PhD	National Institute of Development Administration (NIDA), School of Public Administration
Prateep Ungsongtham Hata	Duang Prateep Foundation (Secretary General)
Rasmussen, Douglas K.	First Secretary, U.S. Embassy
Saneh Jamarik, PhD	Local Development Institute (Director); Thai National NGO Coordinating Committee (Chair)
Suchit Bunbongkarn, PhD	Political Science Department, Chulalungkorn University
Suchitra Boonyarataphand, PhD	National Institute of Development Administration (NIDA), School of Public Administration
Suwit Kunkitti	MP; House Affairs Committee (Chairman)
Tawat Yip In Soi	Thai Chamber of Commerce
Titaya Suvanajata, PhD	Institute for Management Education for Thailand (IMET) Foundation
Wanchai Boonyasurat	Chiangmai City Clerk