

ISSN 0951-2748



The **PACIFIC
REVIEW**

Volume 1
Number 1
1988

Published by Oxford University Press

THE PACIFIC REVIEW

Volume 1, No. 1, 1988

Editor's Introduction	iii
<i>Articles</i>	
Sir Sydney Giffard, Japanese Slogans, Images and Visions	1
William H. Overholt, Thailand: A Moving Equilibrium	7
Lillian Craig Harris, Towards Taiwan's Independence	24
Michael Kaser, Comparing Soviet and Chinese Reforms	38
Peter Buckley and Hafiz Mirza, The Strategy of Pacific Asian Multinationals	50
Frank C. Langdon, Is Japan Ready to Become a Full Western Ally?	63
Nathaniel B. Thayer, Race and Politics in Japan	79
Sir John Harvey-Jones, Britain, Japan and the Pacific: Can Britain Compete?	88
<i>Issues in the News</i>	
Ross Babbage, Australia's New Defence Direction	92
David Goodman, The Importance of China's 13th Party Congress	97
<i>Book Reviews</i>	
Ellis Joffe, <i>The Chinese Army after Mao</i> (by J. K. Fairbank)	102
David Goodman, <i>Centre and Province in the People's Republic of China: Sichuan and Guizhou 1955-1965</i> (by Dorothy Sollinger)	103
David Goodman, Martin Lockett and Gerald Segal, <i>The China Challenge: Adjustment and Reform</i> (by Jürgen Domes)	104
Tai-chun Kuo and Ramon H. Myers, <i>Understanding Communist China: Communist China Studies in the United States and the Republic of China, 1949-1978</i> (by Mark Elvin)	105
Peter Dale, <i>The Myth of Japanese Uniqueness</i> (by Nigel Brailey)	106
Alan J. K. Sanders, <i>'Mongolia: Politics, Economics and Society'</i> (by James Cotton)	107

Thailand: A Moving Equilibrium

William H. Overholt

Thailand mystifies Western observers because it has a unique social system.⁽²⁾ It has become known as a country of coups, and this conveys an image of fundamental instability. Moreover, Western analysts as a group have measured Thailand against the standards of Western democracy and have found it wanting. Most believe, explicitly or implicitly, that this 'failure' to achieve Western democracy implies a severe risk of economic failure and revolutionary instability. A decade ago, distinguished Western political scientists, alarmed at military intervention, warned that Thailand might already have entered upon a vicious cycle of political and economic decline that might already in 1978 have made Thailand the next communist domino in Asia.⁽³⁾ That warning immediately preceded the swift demise of all communist prospects in Thailand; it coincided with the emergence of a period of Thai peace, freedom, and growth—all rare in the modern Third World.

Record of steady growth

The Thai record refutes such dire warnings. Thai instability is an instability of key senior personnel and of ephemeral group roles, not an instability of the basic political, social, and economic system. In the past two generations, Thailand has experienced fewer instabilities that fundamentally disrupt social life and economic development than any other country in Asia—including Japan. Thailand's record of steady, sustained economic growth is unsurpassed, although a few countries have grown faster. Throughout modern history, Thailand has demonstrated resilience in the face of international and domestic economic and political challenges on a scale that elsewhere has produced revolution (Iran and the Philippines), long periods of ruthless dictatorship (South Korea, Taiwan, Indonesia), national bankruptcy (all of Latin America and most of Africa), or chaos (Nigeria).

System has delivered the goods

In facing such challenges, Thailand has not been confined to defensiveness. The Thai system has consistently delivered the central 'goods' of modern nationhood: sovereign independence, economic growth, economic diversification, social peace for most Thais most of the time, far more freedom than is typical of Third World countries, and increasing political participation.

In the light of these facts, the Thai system needs to be judged on its own terms, not as an inferior form of Western democracy or a peculiarly unstable form of Asian dictatorship, but as a unique system for managing change and achieving goals. The Thai system is a moving equilibrium. It is utterly different from Asian dictatorships and Western democracies. The moving equilibrium maintains itself in part through frequent coups, irregular elections, and personnel reshuffles, which create an appearance of instability but are a mechanism for attaining a deeper stability.

The Triple Equilibration

Since the 1960s, Thailand has experienced numerous threats to its stability and economic development. The process of equilibration in the face of these problems has been messy: a multitude of coups, intrigues, personnel shifts, confrontations,

William H. Overholt is Director of Economic Research for BT Brokerage, also Editor of *Global Assessment*, a semi-annual review of world economic and political developments published in New York. He is the author or co-author of five books: *Korea: The Military Confrontation* (forthcoming); *Political Risk*; *Strategic Planning and Forecasting*; *The Future of Brazil*; and *Asia's Nuclear Future*. He is a member of the editorial board of *Asian Survey* magazine.

Underlying process of equilibration

coalitions, and policy changes. But beneath the messy political stories is an underlying process of equilibration. Thailand's politics is like a capitalist economy: if one focuses, as most scholarly and journalistic accounts do, on day-to-day events and on the rise and fall of particular personalities, one can easily miss the larger equilibration, just as one would if one tried to understand the American economy largely by following the fates of individual firms and corporate leaders. The apparent instability presented by Thai coups masks an underlying continuity.

Traditional élites reshuffled

Thailand in the 1950s and 1960s was characterised by relatively traditional élite politics and economic management. The important actors were the military and the bureaucracy, with the military exploiting the monarchy as a symbol of the nation and exploiting Buddhist ideals to encourage domestic placidity. Economic management was complacent and focused on the élite. Infrastructure development was the primary development activity; it was conducted at a leisurely pace, focused on Bangkok, and served the interests of the ruling élites. The economy was largely commodity-based, and the polity was unmobilised. In reflection of such complacent, élitist politics, the government budget and the current account of the balance of payments both typically ran comfortable surpluses. To an economist, inflation and resultant currency devaluations result from an excessive money supply, usually caused by government budget deficits. To a political scientist, budget deficits, excessive money supply, inflation, and devaluations result from strong pressure groups pushing on weak governments. Thailand's earlier situation reflected the opposite: a strong government which could ignore weak pressure groups.

Although much was happening, for analytic purposes it would not be too great a distortion of reality to describe the system of the period, with all its coups, constitutional debates, and changes of the details of economic policy, as a relatively stable pre-modern equilibrium. The social consequences of economic modernisation (described below) created minor disturbances, but initially the system reequilibrated without moving. The traditional élites reshuffled themselves, wrote constitutions, and abrogated constitutions, but on balance conceded very little of their traditional political and economic hegemony. Governance was of the old élites, by the old élites, and for the old élites.

This pre-modern equilibrium soon became disturbed far more fundamentally, however, by three quite serious sources of disturbance:

- Economic modernisation
- External and internal security threats
- Financial squeeze

Thai balance and moderation

Elsewhere in the Third World, these reinforcing disturbances, frequently led to national bankruptcy, social chaos, or persistent ruthless dictatorship—even when the disturbances occurred with considerably less intensity than in Thailand. But in Thailand, they created disequilibrium, then a gradual reequilibration to an outcome of characteristically Thai balance and moderation.

Economic Modernisation

In Thailand as elsewhere, economic modernisation led to social differentiation, political mobilisation, and exposure to new, potentially subversive political ideas. A society of farmers became a society of farmers, many kinds of workers, intelligentsia, and a vast middle class. Each of these groups had more education, more physical mobility, more communication with people in similar circumstances, more exposure to new political ideas, and more awareness of what was going on in Bangkok.

The symbol of these trends and principal leader in bringing them to bear on national politics in the early 1970s was the student movement, particularly the newly formed national student organisation, the National Student Council of Thailand. Under its leadership, newly mobilised middle-class power, with the support of King Bhumibol and the acquiescence of key parts of the armed forces, expelled the dictators, Thanom, Praphat, and Narong, in an October 1973

Dictatorship replaced with democracy

uprising that bore striking similarities to the ousting of Marcos from the Philippines thirteen years later. Overnight, dictatorship was replaced with democracy.⁽⁴⁾

Major financial consequences

This democracy expressed the anti-dictatorial ideals of the emergent intelligentsia, the expanded business class, the nascent unions, and all the segments of society affected by Western ideologies. But it was extremely threatening to the established élites, to whom the concept of popular sovereignty was anathema. Associated with the emergence of democracy were fundamental social changes: the mobilisation of students, businessmen, farmers, and regions outside Bangkok; the proliferation and development of political parties; direct participation by businessmen in political decision-making, heretofore largely precluded because business was associated with the Chinese; Social Action Party efforts to decentralise decision-making and some government expenditure; widespread unionisation and strikes; and numerous student demonstrations.

The mobilisation of non-élite groups had major financial consequences. Until the mid-1970s, Thailand's social complacency was reflected in recurrent government budget surpluses, national surpluses in the current account of the balance of payments, and an extremely strong currency. Such financial strengths are characteristic only of highly modern creditor states and of élitist Third World states that do not face development pressures. Thailand had fallen clearly into the latter category. From the mid-1970s onward, it decisively joined the majority of Third World states which must run substantial budget and current account deficits because of strong pressures for development spending. These financial changes are the best indicator of the strength of the challenge to the old equilibrium.

A hopeless muddle

But democracy quickly failed as a response to the disruptive economic modernisation. The leadership of the democratic government was drawn from the old élite. (Even the innovative prime minister, Kukrit, was a banker and a cousin of the king.) It was anxious to placate the established élites even while it was removing the representatives of the old military leadership. It largely excluded the most vigorous of the emergent social groups, particularly the students. It did not press decisively for major reforms, such as land reform. At the same time, it permitted the organisation of extremely vociferous groups, including socialist groups and communist fronts, who demanded the most far-reaching changes. Both the student movement and the political parties fell into fractious disarray. Thus the democratic regime was simultaneously protecting the *status quo*, failing to organise a coherent force for modernisation, and facilitating the emergence of organisations and rhetoric that would maximise the panic of the old élite. And it did this just at the time when the collapse of South Vietnam and the collapse of Thailand's ability to rely on American protection increased the entire nation's security fears. Only in South Korea in 1960-61 did a contemporary Asian democracy sink more quickly into a hopeless muddle.

Democratic disorder culminated in October 1976 in bloody riots between leftist and rightist students at Thammasat University. These precipitated martial law and the emergence, with the king's support, of a regime, under former Supreme Court Justice Thanin, that was as repressive and right-wing and ideologically monolithic as the democratic regime had been open and pluralist. The Thanin government was ideologically rigid at home and indiscriminately anti-communist in foreign policy. It promoted officials who were loyal but incompetent. Along with repressing labour, students, and the press, it countenanced the assassination of farm movement leaders. And it drove hundreds of student leaders to choose association with communists in the jungle. This right-wing riposte to disorder at home and security fears abroad was mild compared to what has happened in other Asian societies threatened with such disorder (e.g. South Korea and Indonesia in the 1960s), but it was much too extreme for most of Thai society and failed far more quickly than the democratic predecessor. Western analysts have almost uniformly drawn the wrong conclusion from the 1976-77 repression. This brief span of repression did not indicate a high risk of ruthless dictatorship and a spiral into chaos and communism, but rather the extraordinary ability of

Process of re-equilibration	<p>Thai society to reject such a system even under conditions of maximum advantage to an aspiring dictator.</p> <p>It was as if a tank of standing water had been hit on one side, sending a wave sharply to the left, then rebounding sharply to the right. Following the rebound, the process of re-equilibration began with a coup by Kriangsak in 1977. Kriangsak embodied the virtues that allow Thai society to equilibrate. He returned to the appointment of high-quality advisors. He introduced a pragmatic foreign policy, which followed through on a <i>rapprochement</i> with China, appropriate to the aftermath of regional American hegemony. He reduced censorship, released many prisoners, and made important concessions to labour, but maintained central ability to manage and limit social ferment. He held an election, but an appointed Senate curtailed the freedom of manoeuvre of an elected House. The political system had experienced a social shock and swung left, then right, then reequilibrated.</p>
Diversity of élites	<p>It reequilibrated because Thailand possesses such a diversity of competent and powerful élites and institutions that no group, even the military, and no extremist politicians can seize and retain power. In every important area, such as security or finance, there is a coalition capable of defending boundaries of moderation and rationality.</p>
Military influence has diminished	<p>In 1980, the Kriangsak government fell. It had suffered a gradual loss of support due to perceptions that it was excessively élitist, and its demise was precipitated by its effort to introduce needed increases in gas, oil, and electricity prices. The senior military officer, General Prem Tinsulanond, refused to support Kriangsak and subsequently replaced him as prime minister. Under Prem, the evolution of political forces has proceeded rapidly. Military influence has diminished, and its diminution has been marked by a series of failed coups and weakening electoral performances by military-backed parties, but the military remains a strong political force. The civil bureaucracy has steadily increased its capabilities and its political credibility at the expense of the military. The bankers have, like the military, remained a potent but diminishing force. The emergent forces of business, the middle class, and to a lesser extent the intelligentsia, represented by the civilian political parties, have steadily consolidated their role, although the political parties remain factionalised, corrupt, and the weakest of Thailand's major political institutions. The king has steadily risen in stature as the mediating, moderating, and frequently decisive force in this process of equilibration without consensus.</p>
	<p>The Prem period has been marked by a steady struggle for political power between military and civilian forces as well as between established civil bureaucracies and emergent political parties and social groups. While the struggles of the 1970s illustrated the Thai equilibration process in response to severe external and internal shocks, the 1980s, during which Prem has ruled, show equilibration in a period of gradual change in the balance of social forces.</p>

Military Power

The military is discontented with the loss of its role as first among equals, is convinced that the democratic process is corrupt, and believes that the current political structure yields too much influence to businessmen, Thai Chinese, and foreigners, especially Japanese and Americans. Moreover, each generation of soldiers is anxious for its share of political power and patronage, and Prem has clogged up the system by remaining in power so long. A successful coup by either traditionalist officers seeking to restore military hegemony or by 'progressive' officers determined to destroy the banking aristocracy, drastically curtail the role of Chinese businessmen, and reduce Thailand's dependence on the world economy, could potentially disrupt the current equilibrium.

Young Turks

In April 1981, a group called the Young Turks⁽⁵⁾ launched a coup and in the process captured Prime Minister Prem. Their programme emphasised greater discipline, a central political role for the military, greater constraints on multinational corporations, and a take-over of the banking sector, agricultural trade, and middleman operations in general. These latter demands were more an

expression of frustration than a non-negotiable programme. The Young Turks also wanted their share of the pie. Although some of them were regarded as idealistic, this particular demand was less negotiable. The military leadership turned against the Young Turks. For the first time in Thai history, the country outside Bangkok weighed in politically—on the side of the Prem government. The king interceded to rescue Prime Minister Prem, and the coup ended.

In November 1984, the government was beginning to get serious about dealing with foreign debt and required a currency devaluation to encourage exports and discourage imports. General Arthit firmly opposed any devaluation. Prior to a trip to Washington, he demanded, and according to his associates received, assurances that there would be no devaluation. While he was in Washington, the government devalued the baht, making it difficult for General Arthit to pay for F-16s within his budget and costing the general's associates, who had invested heavily in the baht, tens of millions of dollars. General Arthit flew back in a rage to Korat air base on the border and delivered a blistering denunciation of the devaluation and of the prime minister.

Thai culture

This angry denunciation was so unacceptable in Thai culture (where one must smile constantly, even in the most upsetting situation) that Arthit was disgraced in public opinion. The king, determined to support sound financial management, invited Prem to be his guest in the palace for an extended period, and the newspapers displayed pictures of the king and the prime minister lounging in their pyjamas enjoying each other's company. The queen, who had until then been Arthit's strongest patron, subsequently refused to deal with Arthit even in official ceremonies. These developments left Arthit politically crippled.

Politically crippled general

In the spring of 1985, Prem reappointed Arthit as commander in chief of the army, thereby leaving the position most threatening to Prem in the hands of a politically crippled general. This decision, a gambit of political genius, was typically Thai and characteristic of Prime Minister Prem.

On September 9, 1985, while Prem and General Arthit were abroad, remnants of the Young Turks tried again, backed by some senior politicians, including a former prime minister, by retired officers, including a former army commander in chief and a former deputy commander in chief, and by serving officers. They mounted only a small force. They encircled a radio station, an anachronistic target in an age of multiple communications networks. They failed to gain the support of most of the military, and they were opposed by the monarchy and by all major sectors of public opinion. They were foolish enough to alienate public opinion by shooting a number of people. Although the economic discontents they cited were a serious issue for the Thai public, this coup was truly hapless.

Coup was hapless

Although another group of officers, calling themselves the Royal Elephants, were simultaneously organising in the manner of previous coup cliques, the failure of the 1985 coup changed the civil military game. The finesse of the government, the firm hand of the king, the ability of a widespread network of young technocrats to explain unpopular policies, the factionalism of the military, the related lack of a coherent military policy agenda, and General Arthit's advocacy of irresponsible financial policies had at least temporarily destroyed the viability of the traditional coup.

Beating the civilians at their own game

In the spring of 1986, General Arthit therefore took a different approach, trying to beat the civilians at their own game. He used military funds and military pressures to induce members of the governing coalition to vote for a no-confidence motion against the Prem government for having tried to raise the tax on vehicles fuelled by gasoline and diesel. This issue was carefully chosen by Arthit's associates because of its similarity to the proposed price increases that brought down the Kriangsak government. Arthit's colleagues sponsored the formation of a new political party beholden to himself, on the assumption that the new parliamentary alignment would vote Prem out and himself in. But Prem boldly dissolved the government, called a new election, and dismissed Arthit. Without military position and funds, Arthit could not hold his party together or conduct a coherent campaign. Without military unity, he could not respond to dismissal with a coup. Without a record of advocating sound economic policy, he gained no support from the civil bureaucracies, however great their distaste

Economic demagoguery

for the political parties' corruption and vacillation. Lacking public esteem because of his un-Thai personal behaviour, his economic demagoguery evoked little public support. Hence, despite the government's need to implement politically dangerous austerity measures, Arthit's gambit led to political obscurity for Arthit, to overwhelming defeat for the military-backed parties as a group, and to electoral victory for the Democrat Party, hitherto the nemesis of the military, as the largest force in the subsequent coalition government. The Democrat Party also benefited from having a more institutionalised organisation than its competitors and from having coopted some respected military figures into its leadership. Thus the result of Arthit's last gambit was the 1980s' zenith of civilian power and the nadir of military influence in government.

New, populist role

The central strategy of military intervention in politics under General Arthit was a reversal of the military's traditional role as an agent of economic and social responsibility. Since the civilian technocrats had become competent and effective managers, the military's traditional intervention in favour of fiscal responsibility and sound management had become redundant. Having lost its traditional role as a necessary agent of financial responsibility, in its frustration the military in this period sought a new, populist role as an agent of financial irresponsibility: opposing devaluation, advocating excessive military spending, and opposing needed tax increases. This brought the military to its political nadir and resulted in a triumph of the civilians, both bureaucrats and politicians. The collapse of military demagoguery under Arthit shows the extent to which Thailand can protect itself against subversion of the national interest by any single social force, even the hitherto most powerful.

Canny leadership of General Chaovalit

But the civilian parties' victory did not eliminate an important military role. Many military figures retained high office, Prime Minister Prem remained in office, and the military remained politically outspoken. The Democrat Party promptly fell out over the distribution of cabinet portfolios and the management of party funds, and the governing coalition suffered serious losses over scandals regarding logs imported from Burma, *lèse-majesté* during the campaign, and other issues. Meanwhile, the military, under the more canny leadership of General Chaovalit, a former intelligence officer, reinvigorated efforts to mobilise rural groups neglected by the civilian parties and began advocating a programme of agricultural 'revolution' that would, he argued, make Thailand an 'agricultural superpower'. It remains to be seen whether a combination of civilian fractiousness and such political-economic initiatives by the military can establish a broader civilian political base for the military and regain it a reputation for advocating a positive national economic programme.

Political demagoguery

This process of equilibration in the 1980s accommodated the emergent social forces instead of repressing them until a bloody social explosion occurred. It did not destroy or irredeemably humiliate any important social force. Each group's actions were constrained by the power of competing groups and by generally accepted social norms that severely penalised excessive behaviour (such as General Arthit's public display of anger). The potentially devastating consequences of political demagoguery by both civilian and military aspirants were limited by the competence and institutional effectiveness of powerful civil bureaucracies led by an interlocking directorate of modern technocrats—as contrasted for instance with Mexican and Venezuelan public acceptance in 1981 and 1982 of their presidents' advocating exchange rate policies that benefited the ruling élites but would inevitably bankrupt the nation. Each Thai group moved with considerable success to coopt members of adversary groups—the Democrat Party to recruit former generals and the military to mobilise farmers. This contrasts sharply with, for instance, the polarisation between the South Korean military and the civilian political opposition in 1980, when cooptation and cooperation were almost unthinkable. Competition among military and civilian élites for all possible sources of support (inside and, often more important, outside the electoral process) led them into efforts to mobilise each possible social group, thereby gradually drawing all significant groups into the political process and into some share of benefits. (This process is still in its infancy for small farmers.) The result of these Thai mechanisms was a political equilibration

in the face of powerful social forces that elsewhere led to political polarisation and economic crisis. This occurred despite conditions that, other things being equal, should have made adjustment especially difficult for Thailand: its rate of economic growth has been far higher than most of the Third World, its security fears more severe and immediate, and its exposure to representative institutions has been much more recent than that of long-independent Latin American nations and the former colonies of Asia and Africa.

The Politics of Threatened Security

Security threats

In the 1970s, Thailand faced a formidable combination of external and internal security threats. Its domestic communist party was large, growing, and supported by neighbouring communist states. Socialist movements and ideologies were spreading like wildfire in the mid-1970s. Thailand had based its security largely on alliance with the United States. With the announcement of the Nixon Doctrine in 1969, Thailand found itself effectively abandoned. With the collapse of South Vietnam in 1975, Thailand found itself almost surrounded by enemies with hostile ideologies (Vietnam, China, to some extent Burma). The invasion by Vietnam of Cambodia and Laos confronted Thailand with the brutal colonisation of the two countries closest to Thailand in culture and identity, as well as with an overwhelmingly superior and hostile military force on its border. There could scarcely have been stronger pressures for the emergence of a garrison state—in this case a state with economic priorities dominated by military requirements, a government dominated by the military, and a polity mobilised around military expediency. However, the Thai system toyed with such a drift for only a single year and reacted decisively against it.

Communist party

There has been a communist party in Thailand since the late 1920s. Initially, it organised primarily among discontented Chinese. For most of its history, it had substantial support from the Chinese Communist Party. This core Thai Chinese organisation established links to Lao and Hmong minorities in the Northeast, to hill tribes in the North, to various Chinese, Muslim, and bandit groups in the South, and to the Malayan Communist Party, as well as to a variety of discontented Thai individuals and factions. Through the 1970s, many university intellectuals promoted Marxist ideas, the Communist Party of Thailand mounted a serious insurgency with Chinese support, and a group of university students alienated by the brutal right-wing coup of 1976 gave leadership backbone to the rural insurgency. As noted earlier, the combination of this internal threat, the external Vietnamese threat, and the expected vicious cycle of garrison state policies, economic decline, and political decline led many foreign observers to believe in the mid and late 1970s that Thailand would be the next domino.

Instead, Thailand moved toward accommodation with China. Subsequently, China, angered by Vietnam's invasion of its neighbours and desirous of increasing its links with economically successful Western-oriented states, cut off the Thai insurgency in an effort to promote ties with the West and to obtain Thai support against Vietnam and the Soviet Union. The Vietnamese have not been able to replace the Chinese support of Thailand's guerrilla movement.

Weakened influence of Marxist ideas

Domestically, Thailand did the opposite of moving toward a repressive garrison state and letting military priorities drain funds away from development expenditure. Sound economic management, and a priority for economic development over fancy military equipment, led to economic success. Thai economic success, and the conspicuous economic tragedies of Indochina, weakened the influence of Marxist ideas among the intelligentsia, including many of those who had fled to the jungle in 1976. Under Prime Minister Prem, gentle policies of conciliation weaned back the alienated university students, and most of the best young intellectuals became heavily engaged as advisors to Prem, to various ministries, to business, or to military groups. The army used a political cooptation programme as its primary tool to weaken the insurgency, and used competent, measured force where it was absolutely necessary to destroy hard-core guerrilla units. The idea of communism as a superior route to development was destroyed by developments in Indochina. The image of the Communist Party of Thailand

has reverted to its older form: a collection of miscellaneous discontented minorities with foreign, largely subversive, support. In short, the communist left is no longer a threat.

Vietnamese military threat

On its borders, the Thai government has carefully and accurately calculated the extent of the Vietnamese military threat and the extent to which it can be balanced by diplomacy rather than force. It has comprehended that the Vietnamese army has enough to occupy its talents in Cambodia without a major Thai conflict. Because of successful Thai diplomacy, whenever the Vietnamese lean too hard on Thailand, China puts pressure on Vietnam. Thai diplomats have been as effective as Thai domestic politicians in protecting the moving equilibrium. The Thai army has had to fight real battles against Vietnamese intrusions across the border, but the Thais have correctly assessed Vietnamese intentions as being directed toward defeat of Cambodian guerrillas, not permanent seizure of Thai territory, and they have calibrated their military efforts appropriately.

Proportionate military response

In retrospect, these balances and strategies fit Thai needs so precisely that they appear obvious. But they were by no means obvious to many domestic or foreign observers of the mid-1970s, and the weight of American expert opinion was pessimistic about Thai prospects. To assess Vietnamese intentions correctly during the process of Vietnamese invasion of sister states required great competence. To assemble a proportionate military response, rather than succumbing to paranoia, was politically difficult. To give priority to economic development over military power required great foresight. To accomplish this in the face of military ambition required great civilian political clout and institutional balance. To constrain proliferating leftist movements while coopting the guerrillas back from the jungle required the most subtle political balance. The measure of Thai achievement can be seen in the radically different evolution of policy and politics in Cambodia, Nicaragua, El Salvador, and the Philippines. Even by comparison with South Korea, which also gave priority to economic development in the face of overwhelming military threat, Thailand's ability to achieve security without sacrificing social pluralism and political openness represents a superior ability to balance security, economic, and political goals and through that balance to move constantly in the direction of social equilibration.

The Politics of Financial Squeeze

As noted earlier, Thailand has followed a gradual approach to development, promoting in succession agriculture and raw materials, light industry, and now limited heavy industry. The keynotes of economic policy have been gradualism, diversification, relative competitiveness and openness, and conservative domestic financing.

Unusual financial pressures

The accumulation of debt. Despite all of this, the Thai economy was affected from the late 1970s through the mid-1980s by high energy prices, low prices for its agricultural commodities and raw materials, protectionism against textile and many other exports, and general slowdown in the world economy. In addition, it faced unusual financial pressures caused by emerging social demands for development expenditure and by unusually severe security threats. Thailand, in short, faced the same kinds of financial squeeze that bankrupted the Philippines, most of Africa, and almost all Latin America, except that the problems Thailand faced were worse than those faced by most of the countries that went bankrupt.

These pressures emerged at a time when Thailand still faced major warfare near its Indochina border, but no longer received massive U.S. military aid, and when a revolution of rising expectations was just taking firm hold among Thailand's rural population. Thailand therefore moved from its traditional position, held for the entire century prior to 1975, of being a substantial creditor and a banker to many parts of the world, to being a debtor. Simultaneously, it began running persistent government budget deficits for the first time. The accumulation of debt became very rapid indeed, and Thailand's debt service ratio reached 27 to 28 per cent in the mid-1980s (in comparison with a banker's rule of thumb that 20 per cent is a prudent limit).

The delay of austerity This situation called for stern austerity measures.

Unpopularity of austerity measures

However, given the insecurity of Thai politicians and senior officials, early, decisive action was unlikely. Prime Minister Kriangsak was convinced by his advisors of the need for a drastic rise in energy prices. He took their advice and was promptly overthrown. This was a strong lesson for his successors. In case Prem needed reminders of the unpopularity of austerity measures, there was a major strike over a bus fare increase in 1982. Nobody wanted to advocate unpopular policies. In case anybody did, a cabinet rule of unanimity nonetheless delayed serious action. Virtually everyone privately acknowledged the need for austerity. No individual or group could afford to call for it. In 1983, the current account deficit was larger than the country's international reserves, but still nothing was done. All had to wait until the last minute, so that everyone would be forced to act at once.

This indecisiveness was a direct consequence of Thailand's system of dispersed power, competing élites, and aristocratic rather than dictatorial political structure, which requires broad consensus before action can be taken. Thailand's delays in responding to the accumulation of debt parallel Japan's delays in responding to international resentment over Japanese trade policies resulting from Japan's congruent political structure and need for consensus. The delays badly frightened many of Thailand's bankers. But, as in Japan, the delays created by the need for consensus were offset by the competent implementation once decisions were taken.

Devaluation artfully handled

Devaluation By late 1984, most of the élite had looked over the edge of the financial chasm and was convinced of the need for urgent measures. The November 1984 devaluation was a major political turning-point. It discredited the opposition, particularly the military opposition led by General Arthit. Since the opposition said it would have no positive effects on exports, and various manufactured exports leaped by 15 to 50 per cent in a recession year, it also discredited much of the opposition intellectually. The devaluation was artfully handled politically and beautifully timed. It came after a month when inflation had been negative, so the inflationary impact was minimal. It was unexpected. Congress was closed and General Arthit was abroad.

Better income distribution

Eastern Seaboard Development A second major policy issue crucial to the country's financial viability was the fate of the heavy industry programme, focused on the Eastern Seaboard Development Plan, which calls for a new port, other new infrastructure, a major fertiliser complex, and petrochemical plants of various kinds. The gradual approach to industrialisation had powerful opponents. Key figures on the National Economic and Social Development Board, an important policy body, backed by key industrial interests, sought rapid growth through a leap into heavy industry even though it would worsen income inequalities and enlarge foreign debt. The Bank of Thailand, the Ministry of Agriculture, the Ministry of Commerce, the International Finance Corporation of Thailand, and most academics, on the other hand, advocated a more gradual approach in the interest of better income distribution, lower inflation, and control of foreign debt.

Cost-benefit analysis

The competition between these schools of thought first led the heavy industrialists to limit their proposals. Steel mills were never seriously advocated, and a proposal for a Thai car was quickly defeated. (Contrast Malaysia, where the Proton Saga car project, justified by preposterous market estimates, never encountered effective opposition.)

Second, the projects which were proposed were subjected to a very rigorous, open cost-benefit analysis. The Bank of Thailand brought great resources to this process. The press gleefully announced each occasion when the industrialists' intellectual balloons were punctured. (Contrast Indonesia, the Marcos Philippines, and Malaysia, where such press reporting would have been suppressed.) Many other projects were cut. The remaining projects (a new port, a fertiliser plant, and others) were stretched out. The mood of austerity was such that the fertiliser plant, whose cost the World Bank estimated at \$400 million, ended up costing only \$240 million. The result was a reasonable, gradual, financially viable

approach to industrialisation. Not every project has been cost-effective, but the contrast with nearly every other Third World country is dramatic.

Privatisation process

State firms As noted earlier, the Thai government share of GDP is unusually small. Nonetheless, there is a government budget deficit, and two-thirds of public sector foreign debt was acquired by state firms. The state enterprise sector earns a net profit, but the NESDB discovered that state enterprises were increasing employment over 10 per cent per year even in recession years and that drivers in state enterprises earned more than middle-ranking officials in government ministries. So a programme of privatisation was announced, covering such enterprises as the Erawan Hotel, the Bang Pa-In Paper Mill, and rice and jute mills. The unions strongly oppose this programme, and so far it is stronger on planning than implementation. The precise outcome is difficult to predict, but Thailand avoided the vast proliferation of loss-making state enterprises characteristic of most Third World countries. It is likely to sell off a number of the loss makers, and to limit overemployment and excessive salaries in the rest. It has also not distorted the privatisation process, whose rationale is to sell off inefficient, loss-making state enterprises, and to sell off the profitable enterprises to politically favoured groups as is occurring in Malaysia. The result has been a great victory for sound finances.

Fees Meanwhile, since the big money losers among the state firms are buses, water, and railways, the government has raised bus fares and whittled away at other deficits. A huge potential loser, although currently profitable, was the Telephone Organization of Thailand (TOT), run by none other than General Arthit, so the Ministry of Finance refused to guarantee TOT's loans. The government also raised car taxes and imposed 1984 credit ceilings in order to restrain spending.

Combined cost staggering

Military spending Perhaps the largest single threat to Thailand's credit-worthiness has been the military budget. General Arthit planned to buy F-16 aircraft, which are more noteworthy for their expense and prestige than their Third World utility; multiple rocket launchers, which even the United States regards as ineffectual; and an automated air defence system. The combined cost of these and other gadgetry would be staggering. Not wanting to confront General Arthit, Prem did not offer serious opposition in principle. But the government quietly imposed a rule that the public sector foreign debt service ratio must never be allowed to exceed 9 per cent. The chief effect of this rule will be to restrain the military, which will be held up as the cause of potential financial disaster if it pushes too hard to exceed the limit.

Key problems remain

There have been other key *démarches* in the financial battle, notably over sugar and rice. Export taxes on these commodities have been reduced and subsidies limited despite immense political controversies and considerable vacillation. Numerous key problems remain. The government needs to raise fuel prices higher, to act on privatisation, to strengthen the tax system, and to avoid excessive subsidy of rice prices. But the central point of these examples is that the government acted in time (though only just in time), that by all estimates its actions were effective, and that political sophistication ensured the implementation of difficult policies. The debt-service ratio moved sharply lower in 1986-87.

Boundary Maintenance In the Moving Equilibrium

The Thai moving equilibrium is a political economy that constantly changes its structure in response to domestic social change and, secondarily, to international pressures, but moves at a relatively moderate pace and reequilibrates within certain boundaries: the moving equilibrium has been designed to preclude national bankruptcy, loss of national sovereignty, widespread bloodshed, or the emergence of any form of monolithic dictatorship. The moving equilibrium has weaknesses, which are elaborated later, and great strengths. Both the strengths and the weaknesses of the moving equilibrium can be appreciated only by understanding the Thai system without the distortions imposed by the perspectives of Western democratic institutions and of Asian dictatorships.

Political Boundary Maintenance

Power is dispersed

Thailand's moving equilibrium avoids violent, discontinuous change and maintains a balance among a variety of institutions and goals because of fundamental features of Thai social structure. To begin with, social power is dispersed. Political power is dispersed among the military, the monarchy, the civil bureaucracies, the political parties, the bankers, the businessmen, the intelligentsia, and the clergy. Economic power is also widely dispersed. Dispersion of economic power and dispersion of political power reinforce one another. Competence, the ability to undertake specific tasks vital to society, is also widely dispersed among these same groups and this further supports the continued dispersion of economic and political power.

Run on meritocracy

But these resources, or bases of power, are not dispersed atomistically. They are clustered in units of marked competence. The Central Bank and the Ministry of Finance have the power and the competence to regulate the financial system. The Ministry of Agriculture has, in comparison with other Third World counterparts, the power and competence to regulate many of the most important aspects of Thai agriculture. The military is competent to fight guerrillas. The government institutions are competent because they are run on the basis of meritocracy (as compared with other Third World countries) and because they must maintain competence to defend themselves against other bureaucracies that would intrude on their turf. The business enterprises and banks are competent because they are forced to compete with one another at home and often with foreign institutions. Only the political parties exhibit weaknesses of the severity that one associates with Third World institutions, and even they are more developed than in most Third World multi-party systems. This marked institutional competence is the single most important reason for Thailand's economic and political success as compared with most of its Third World counterparts, especially in South Asia and Africa.

Institutions have integrity

These institutions have integrity. The military has not coopted, subverted, or cowed the civil bureaucracy. Within the civil bureaucracy, on vital policy issues technocratic calculations outweigh patronage interests. The king has not gained control of business and banking. The political parties have not subverted the technocrats for political patronage. The press is not subservient to any single power group. These institutions have great influence over one another, but none controls the others. This outcome is the polar opposite of the Philippine situation, where one clique, organized around Ferdinand Marcos, came to exercise almost total control over the civil bureaucracies, the military, most major banks, most major businesses, and all of the press. The competition among institutions, both official and private, keeps those institutions constantly honing their skills and defending their power bases in order to maintain their positions. This ensures that the Thai moving equilibrium will be a muscular equilibrium, not an equilibrium of institutional flab like India, whose institutions are cosseted against competition. The competence and integrity of institutions enables the system to pursue more than one goal simultaneously. More than that, it ensures that no single goal, such as military power, can become dominant over other goals, such as financial solvency or economic development.

Muscular equilibrium

Competition creates freedom

Competition among institutions creates alternative power bases for individuals and groups. The competitive pursuit of different goals by different institutions, and widespread recognition that such competition is legitimate, creates space in which individuals and groups can pursue their own choices. By limiting the extent to which any institution can circumscribe choices, it creates freedom.

While the institutions and power groups maintain their integrity and compete, and while their cooperation is seriously imperfect, as it is everywhere, they nonetheless maintain a far-reaching ability and will to collaborate in the national interest. To defend the country, the foreign policy authorities, the economic development bureaucracies, the police, and the military collaborate sufficiently to get the job done. The extent to which they compete with one another, and the interstices in which cooperation fails to occur, have become the subject of a

King plays co-ordinating role	<p>considerable literature, which identifies an important truth. But the more important truth is that, after discounting for all the competition and failures of cooperation, the vital tasks of defending the nation, managing the currency, promoting the conditions for economic development, and minimising violence are accomplished through coordinated effort of a degree that seldom occurs in Africa or Latin America.</p>
Limited agenda of vital national goals	<p>This coordination has multiple causes. The king plays an important, and frequently decisive, co-ordinating role. The technocracy has a shared identity, a shared training, and a shared devotion to the national interest that, on the most vital issues, transcends many institutional rivalries. In Thailand, moreover, despite group rivalries and institutional integrity, there are great overlaps in the memberships of key groups. Politicians become monks. (Every Buddhist boy is supposed to do so at least once.) Many generals sit on the boards of Chinese-dominated businesses. Numerous businessmen become politicians. Scholars become officials. Leading officials and politicians and generals consult scholars. Through a combination of overlapping memberships, shared historical experience, national pride, and coordinating roles like that of the king, the Thai polity has achieved the ability to integrate competing interests and do what is necessary to achieve the national interest—on a limited agenda of vital national goals that define the moving equilibrium.</p>
Violence does occur	<p>This is the achievement that distinguishes the Thai polity most sharply from its Spanish American counterparts, where the Argentine military is quite willing to bankrupt the country in order to purchase what it wants, and the Venezuelan ruling élite is quite willing to overvalue the currency and bankrupt the country in order that certain social groups will be able to buy cheap foreign goods, and no national mechanism or consciousness exists to subordinate such narrow interests to a larger national interest. In Thailand, when General Arthit pursues similar policies, the system of competing groups and collaborating institutions stops him.</p>
Emphasis on non-violence	<p>Finally, the Thai moving equilibrium has succeeded in limiting the violence associated with social change and political competition. Of course, violence does occur in Thailand. Students were killed in 1976. Peasant leaders were assassinated in the mid-1970s. In the conflict between the military and the Communist Party of Thailand people were killed. Thai society is not placid. But 1976–77 was very unusual and the Thai system has undergone an extraordinary series of transformations, under very stressful circumstances, with far less violence than similar transformations in Indonesia, the Philippines, South Korea, or Malaysia (note the Malay-Chinese riots of May 1969 and the periodic smaller outbursts that are becoming more frequent).</p>
Sensitivity to social changes	<p>Thai society achieves these limitations on violence in various ways. Thai society has come to accept group competition as normal and correspondingly to accept that no social group can be allowed to seek the complete destruction of any other social group. The interpenetration of groups facilitates acceptance of this norm. Buddhist emphasis on non-violence helps to limit violence, and the special Thai emphasis on polite, smiling, civilised behaviour in adverse circumstances (the norm that was so devastating to General Arthit's ambitions) gives special weight to Buddhist values. Above all, Thailand's competing multiple power centres accommodate emergent groups more easily than more monolithic systems; in recent years, their competition has forced them to seek out new groups for political support.</p>
	<p>The instability of Thailand's top leadership reflects the system's sensitivity to social changes; the strengthening of a social force as a result of economic development quickly leads to a realignment of the country's highest leadership. This responsiveness and ability to accommodate new groups takes the form of unstable top leadership and of a profound stability in the moving equilibrium.</p>

Security Boundary Maintenance

Thailand has maintained its security as a small, open, capitalist state surrounded by states with hostile ideologies and long histories of ruthless efforts to

Remarkable continuity and integrity

dismember Thailand, to force it into tributary status, or to transform its ideology. It has retained a remarkable continuity and integrity of the basic Thai system despite challenges of social mobilisation, new ideologies, and support of subversive movements from sanctuaries in neighbouring states.

Its ability to do this begins with the basic institutional competence of its military and police forces. But its military forces are nonetheless not comparable in counter-insurgency capabilities or subversive capabilities or conventional military power to those of China or Vietnam. In organisational quality, Thailand's military and police are greatly superior to those of the Philippines or to most Latin American and African countries, but on a global scale they are middle rank whereas South Korea's and Taiwan's and Vietnam's are top rank.

Equilibrium of its institutions

Thus Thailand's ability to maintain its security depends primarily on broader qualities: on the competence of its economic and political institutions as well as its military and police; on the ability of the Thai system to maintain a balance among these diverse institutions; and on an ability to direct those institutions toward a common national goal. Domestic security derives from a combination of competent military force, competent police intelligence, competent economic administration, and competent political balance. Thailand's foreign security derives from competent military force, from an ability to draw large-scale economic and military resources out of its foreign environment, and from a superb diplomatic ability to balance the United States against the communists or China against Vietnam. These are the same skills that in a previous era enabled Thailand to maintain its independence by balancing France against Britain. Thai skills at maintaining a complex domestic security balance derive from the underlying equilibrium of its institutions. Thai skills at maintaining a complex, shifting balance of international alliances derive from the diverse, coordinated, competent balance of its domestic institutions. In short, Thai security derives from the moving equilibrium.

Financial Boundary Maintenance

Bankruptcy entails loss of sovereignty

The government is able to take the difficult decisions necessary to maintain the country's financial viability under adverse circumstances for a number of reasons. First, the historical experience of the region has convinced the Thais that bankruptcy entails loss of sovereignty. Waiting until the last minute to act is built into the aristocratic national political structure, but failing to act is treason. This shared perception, and the will to act on it, reflect a truly national consciousness. This national consciousness contrasts sharply with the Philippines and most of Latin America, where the rhetoric of nationalism is more prominent but the reality of decisions reflects the willingness and ability of particular élites to incur national bankruptcy in the pursuit of their self-interest.

King is enormously popular and powerful

Second, the king is enormously popular and powerful and identifies the interests of the monarchy with long-term financial responsibility. He is willing to engage the reputation and future of the monarchy in order to ensure sound management.

Brilliant technocrats

Third, throughout government and business there is now a generation of powerful and brilliant technocrats who are highly trained and aware of the nation's problems and basic options; who are fiercely nationalistic and therefore opposed to excessive dependence on foreign debt; and who frequently come from very wealthy aristocratic families and can therefore speak out without fear when they feel their country is at risk. There is a broad technocratic consensus on the seriousness of the problem and the nature of the solution. This consensus reflects a shared competence, which in turn derives from the government's commitment to appoint and promote highly educated, competent, often foreign-trained officials at the expense of old guard interests and patronage considerations.

Patronage not allowed

More broadly, Thailand has competent, powerful institutions. The monarchy sponsored such institutions. The military-based regimes have fostered them. The civilian governments have not allowed patronage politics to subvert them to the degree that occurs in countries like India and the Philippines and recently

Technocrats' margin of advantage

even Malaysia. The technocracy has far greater depth than Indonesia or the Philippines, where striking competence seldom exists below the top two tiers of the bureaucracies. In the private sector, notwithstanding a degree of oligopoly, competition fosters gradually increasing competence and efficiency in Thailand's financial institutions. Recently a combination of difficult times and stern Thai Central Bank and Ministry of Finance decisions have fostered further efficiency in the private section by weeding out the managements of weak firms.

Fourth, the weakness of the party politicians and the disunity of the military undermine the primary proponents of financial irresponsibility and leave the technocrats and their institutions with the crucial margin of political advantage. Although in narrow perspective, armies should not be divided and representative institutions should be strong, in this case the weakened condition of both was a prerequisite of national solvency.

Fifth, Prem is politically brilliant at finding politically palatable ways of moving toward solutions to the need for austerity. But Prem's talents should not be viewed merely as the luck of a single personality. The Thai system inculcates such qualities, which are shared by the king and by other key politicians and are even exhibited by the political finesse with which the military has contained the communist guerrillas.

The Achievements of the Moving Equilibrium

The central thesis is that the Thai system constitutes a moving equilibrium which maintains itself by delivering certain valued achievements:

- The competence of its institutions delivers moderately rapid economic development.
- The diversity of its institutions and social power centres and values creates a broad distribution of political power, economic power, and prestige.
- Competition among institutions, private, government, and military, hones their skills and enhances their efficiency in the same way that market competition does in a capitalist economy.
- The decentralisation of social power and prestige, together with a strong national identity and certain coordinating forces such as the monarchy and the technocracy, create an unusual ability to accommodate emerging social forces.
- Competition for influence among diverse institutions, and the insecurity of top leaders, leads them all to compete for the support of all potentially influential groups and over time mobilises each group and bestows influence upon it. In this way, it gradually creates representation.
- Competition among institutions and social groups, and diverse bases of prestige and money and power, create social space which provides individuals and groups with a remarkable degree of freedom.
- The system's ability to deliver substantial levels of growth, development, economic resilience, representation, freedom, military force, and police intelligence provide Thailand with a high degree of security.

Weaknesses of the Thai Equilibrium

The Thai equilibrium's impressive virtues coexist with certain distinct limitations which derive as inexorably from the structure of Thai society. One crucial limitation has already received frequent mention. Thai decision-making is slow and frequently ambiguous. When a policy is required for financial austerity or for foreign investment in energy development, senior officials are afraid to decide because they have little job security in the face of a negative reaction from any sector. Each official fears to act. Each waits for someone else to broach the issue. The ministry in charge passes the responsibility to another ministry. The government forms a committee, dissolves it, and forms another one. While temporising behaviour occurs in all governments, it is extreme in Thailand and Japan—and a good deal worse in Thailand than in Japan, because when the

Decision-making is slow

Japanese government finally makes a decision, it usually sticks, whereas the Thai decision frequently does not.

Heavy weight to political consideration

Closely associated with such temporising is the Thai government's need to give heavy weight to political consideration when choosing economic policies. The cabinet cannot offend many constituencies in the interest of economic efficiency, because the political base of any cabinet, civilian or military, is always tenuous. The need to pay a heavy economic price for political reasons is particularly evident in such sectors as energy and finance. During the eras of high oil prices (1973-1985), Thailand paid a terrible price for imposing utterly unreasonable and uneconomic constraints on the operations of foreign oil companies. By limiting the price it would pay for natural gas to a level that was uneconomic for Texas Pacific, by erratically altering contracts with companies that found oil, and by other economically irrational policies, Thailand reduced its growth rate, expanded its national debt, and increased its unemployment unnecessarily. (Thailand was a more difficult environment for a foreign oil company than war-torn, communist Angola.) But the political structure made this necessary: for a decade every senior official who made an important energy policy decision in favour of a foreign oil company lost his job within six months.⁽⁶⁾

Thailand typically will grow 7 per cent in good years

Again, political delay and trade-offs between economic efficiency and political support are universal, but their extent varies from one country to another. Thailand pays a heavy price compared with both South Korea and Taiwan. For instance, no Thai leader could ever emulate Park Chung-Hee, who restored diplomatic relations with Japan in 1965 in order to revive vitally needed economic ties, despite almost universal public revulsion. Thailand was unable to emulate South Korea in extraordinary and rapid adjustments to the rise of imported oil prices (very high domestic fuel prices, severe and immediate austerity). So, whereas South Korea and Taiwan can grow 10 per cent a year in favourable times, Thailand typically will grow 7 per cent in similar years. And particular sectors in Thailand suffer severe opportunity costs. Nonetheless Thailand's economic policies are sufficiently rational that it grows much faster than most of the Third World and over twice the historic average growth rate of the Western democracies.

Democratic vulnerability

The democratic vulnerability of Thai political leadership also limits the country's ability to alter its income distribution through such means as land reform. In Third World countries, only dictatorships can impose vigorous land reforms. To the extent that Thailand is an aristocracy, the landed interests of most of the aristocracy would preclude redistribution. To the extent that it is a democracy, landlords would have a better chance of election to parliament than tenants and this would preclude redistribution. But Thailand is fortunate in having had a land surplus until fairly recently, and there were severe restrictions on individual landholdings until the 1950s, so the problem of agricultural tenancy is far less severe than in the Philippines and most of Latin America. Thailand will remain a country of dispersed economic power, but will not become an egalitarian economy like Taiwan or South Korea.

Limited administrative reform

Thailand is also limited in its ability to undertake drastic administrative reform. Any group desiring to eliminate bureaucratic corruption or to install Korean-style hyper-efficiency would quickly run foul of the vested interests of Thailand's most powerful élites and the patronage needs of its political parties. The rise of Thailand's technocratic élites is impressive, and far exceeds anything that has been accomplished in most of the Third World, but on the other hand their reforms have taken a generation and a half to accomplish what Park Chung-Hee did in a single decade. Whereas South Korea's technocracy pervades the whole administrative system, Thailand's technocratic élite is superimposed on a civil service that is heavily traditional and corrupt. Thailand's advantage compared with the Philippines is that the Thai technocracy is spreading and winning victories; its disadvantage is the considerable momentum of the moving equilibrium.

These limitations in the pace and depth of reform have particularly great significance for the Thai military's abilities to cope with severe, conventional, foreign military threats. While the pervasive political roles and skills of the

Inhibit ruthless discipline	<p>Thai military combined with their civilian counterparts endow it with decisive capabilities in combating domestic guerrilla movements, they also inhibit the acquisition of the stern and ruthless discipline possessed by the armed forces of South Korea, Taiwan, or Singapore. Such ruthless discipline would be essential in a direct confrontation with the disciplined forces of Vietnam. Hence Thailand must rely on wise diplomacy and international alliances rather than on brute force to defend its borders.</p>
International economic forces	<p>Thailand's equilibrium is also potentially vulnerable to disruption by international economic forces. The Thai economy has become integrated into the world economy. The welfare of its people and the ability of its polity to curry support by bestowing economic benefits depends on world commodity prices, on global financial stability, on a relatively open trade system, and more generally on the ability of the larger economic powers to manage their affairs in such a way as to avoid precipitating another depression. Interdependence with the world economy is both a strength and a vulnerability. The comparative experience of North and South Korea, to take but one obvious example, indicates that North Korean autarky provides no assurance against national poverty and bankruptcy and that South Korean reliance on international markets inculcates an economic flexibility and resilience that provides shock-absorbers against all but the most calamitous international economic developments. A comparison of Vietnam or North Korea with Thailand similarly indicates that autarky and centralised control breed economic weakness and vulnerability whereas acceptance of interdependence with global markets breeds strength and resilience. Competition strengthens an economy just as exercise strengthens muscles. Adaptation to changing markets inculcates resilience. On balance, Thailand has a vulnerability of some significance now, when the world economy is in an uncertain state, but its openness is usually a source of strength and probably will prove to be so even in the difficult years of the late 1980s.</p>
Openness is usually a source of strength	<p>In broader perspective, the Thai equilibrium's most serious weakness is that it has not so far become enshrined in any explicit consensus about the proper structure of the system of the roles of the key élites within that structure.⁽⁷⁾ The Thai equilibrium has balance. No goal, such as national security, is allowed to drive out other goals, such as economic development of political dignity. It has moderation: no élite tries to destroy any other élite. And there is an amorphous, difficult-to-prove, but very real extent of agreement (compared with other Third World countries) at any given moment on what the national priorities should be and roughly what kinds of political structures might implement those priorities. But all those virtues fall far short of thoroughgoing political and economic consensus. The military is still convinced that it should play a dominant role. The military and the civil bureaucracies have considerable contempt for the corrupt and fractious political parties. The political parties are convinced that only democracy dominated by themselves can be legitimate. The Thai virtues of balance, moderation, shared perception, and institutional competence give the country a decisive advantage over most Third World countries, but the lack of an explicit consensus implies greater vulnerability to breakdown than would exist with a more explicit consensus. To offset this vulnerability, Thailand has become increasingly dependent on the wisdom and wealth of a single individual, the king.</p>
Thai virtues of balance	<p>Today the key risk to the Thai equilibrium is its high and increasing dependence on the king. He is sixty years old and has some history of heart problems, so his health is a matter of grave concern. To get through the current financial turnaround, Thailand needs his good health. To moderate the most intense civil-military disagreements, Thailand needs his intervention. Prem is replaceable. The king currently is not. Whether the monarchy can produce an equally able and respected successor remains in some doubt. And Thailand will need a good many years for other trends, such as the emergence of the technocrats, to overcome the system's dependence on the king. Nonetheless, the flexibility of the Thai system and the diversity of its talents provide considerable basis for optimism that the system could equilibrate even in the absence of its modest monarchical giant.</p>
Increasing dependence on the king	

Notes

1. Copyright © 1987, William H. Overholt. An expanded version of this article appears in Ansil Ramsay and Wiwat Mungkandj, (eds.), *Thailand-United States Relations: Political, Strategic, and Economic Factors* (Berkeley: Institute of East Asian Studies, University of California, 1988).

2. This paper relies heavily on interviews conducted over many years with a variety of Thai scholars, officials, businessmen, and bankers, as well as a number of American students of Thai affairs. An exhaustive listing of my intellectual debts is impossible, but mention must be made of the largest debt, to Jeffrey Race, whose views on Thailand have influenced me so much that no detailed citation could ever be adequate. I am very grateful for the detailed comments of Ansil Ramsay on an earlier draft of the paper.

3. Cf. William Bradley, David Morell, David Szanton, and Stephen Young, *Thailand, Domino By Default?* (Athens, Ohio: Ohio University Center for International Studies: Papers in International Studies Southeast Asia Series No. 46, 1978), which asserts (p. 38) that a decline into disaster 'may already be inevitable'.

4. On the Philippines, particularly the process whereby Philippine institutions of governance and development were destroyed, see William H. Overholt, 'The Rise and Fall of Ferdinand Marcos', *Asian Survey*, November 1986.

5. The most thorough work on the Young Turks is Chai Anan Samudavanija, *The Thai Young Turks* (Singapore: Institute of Southeast Asian Studies, 1982), by a scholar who was closely associated with the Young Turk movement. Excellent analysis of the Young Turk movement from a different perspective is also available in unpublished work by Jeffrey Race.

6. This comment is based on interviews with respected officials and former officials with direct experience of the pressures.

7. This point about lack of consensus is articulated forcefully in Chai Anan Samudavanija, 'Political Institutionalization in Thailand: Continuity and Change', in Robert A. Scalapino, Seizaburo Sato, and Yusuf Wanandi, (eds.), *Asian Political Institutionalization*, (Berkeley, California: Institute of East Asian Studies, University of California, 1986.)