

Book Review

Thai Capitalism and Political Economy Post 1997 Crisis

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Thailand's Crisis

Pasuk Phongpaichit and Chris Baker
Chiang Mai, Silkworm Books, 2000, 283 pages.

The Thaksinization of Thailand

Duncan McCargo and Ukrist Pathmanand
NIAS Press, 2005, 286 pages.

Thai Capital After the 1997 Crisis

Pasuk Phongpaichit and Chris Baker (eds.)
Chiang Mai, Silkworm Books, 2008, 326 pages.

Thaksin 2nd Edition

Pasuk Phongpaichit and Chris Baker
Chiang Mai, Silkworm Books, 2009, 424 pages.

Scholarly analysis concerning the 1997 Asian economic crisis and associated fallout is volumous but can be generally classed into three distinct strains; neoliberal (Krugman 1998, Rubin 1998), Marxist (Bello 1999, Glassman 2001, Hewison 2000) and neoclassical (Ammar and Orapin 1998) perspectives. Each perspective offers readers a theoretical framework and narrative imbued with the authors training, perspectives and biases. These four volumes are indicative of the various authors training in economics, history, political economy and development economics and

attempt to track the political and social changes of Thailand in the aftermath of the 1997 economic crisis. While the reasons for the rise and crash of the Thai economy are still debated over a decade after the events, the fallout effects are generally indisputable. The Thai economic crisis without doubt spurred massive economic dislocation, social upheaval, financial destruction, resurgent nationalist consciousness and stimulated Thaksin Shinawatra's political ascendancy which is still being felt today. Put together these volumes provide a perceptive glance into the nature of Thailand's political economy from both macro and micro perspectives giving readers insight into the highly contested spheres of economy and politics in Thailand in the post economic crisis period.

It is the economic and political impacts of the 1997 crisis which will be highlighted in this review. In particular the social upheaval which displaced a rural migratory population that led to the discrediting of the Democrat Party, subsequent rise of Thaksin Shinawatra and economic displacements associated with the crisis of Thai Capitalism. In particular how the crisis created losers and winners in a dramatic example of Joseph Schumpeter's axiom where he defined capitalism as "creative destruction".

The strength of these books lay in the divergent approaches undertaken and styles in which each of the authors present their arguments. All volumes are easily accessible to scholars as well as readers who are generally interested in Thai political economy. The historical narrative approach taken by Phongpaichit and Baker in their books lends itself to a highly readable historian/journalistic style of Baker which intermixes with hard factual basis derived from Phongpaichit's training as an economist. McCargo and Pathmanand allow readers an accessible reading which does not compromise academic integrity.

In *The Thaksinization of Thailand* the author's track the business dealings of former Prime Minister Thaksin from prior to the crisis, thru the crisis and up to his pinnacle just prior to being displaced via the 2006 coup. There argument centers on his foray from the civil service as a police captain and into high stakes Bangkok business. They find that throughout his career political connections were essential to his success, especially during

the period where he secured his telecom license and just prior to the Baht's float whereby he hedged his dollar denominated loans and put himself in an advantageous position against industry competitors. In fact the nature of personal politics and which stretched from the civil bureaucracy to security forces were essential in not only his rise, reaching the pinnacle of power and securing his business and political empire.

In *Thailand's Crisis* the authors treat the economic crisis and the state of the Thai economy as a dynamic phenomenon which occurred in a static framework of a unitary nation-state analyzing macro-economic statistics. They focus on the economic factors leading to Thailand's economic boom period from the mid-1980's up to economic stagnation in mid-1990's whereby the real Thai economy dislocated itself from the financial and speculative economy. The authors move towards a contextual understanding of why the crisis took place by delving into a political economy analysis and then moving towards the social and political impacts. In *Thai Capital After the 1997 Crisis* a highly nuanced perspective is deployed by utilizing case studies which provide the reader with a detailed and highly insightful glance into the nature of the Thai economy, giving readers the opportunity to understand the Thai economy not as a unitary static nation-state but rather an aggregate of competing and colluding forces often of a sectoral, industrial conglomerate persuasion and many times of a familial nature. Taken together these volumes present an interesting and compelling view of post-crisis Thailand, in particular by allowing for a retrospective view of what Thailand's political economy was and how much it has either changed or remained static.

In *Thaksin* Phongpaichit and Baker draw on their previous work *Thaksin: The Business of Politics in Thailand* and provide additional chapters which highlight the fall of Thaksin and color coded street battles up to the first red shirt protest of 2009 during the Songkran holidays. The strength of this 2nd edition is in the author's ability to provide a historically centered biographical sketch of the former Prime Minister and how he leveraged political connections throughout his civil service career into building not only an enormously profitable monopolistic business empire but

extended this via acute political acumen into the political realm to become a hegemonic power not seen prior. Phongpaichit and Baker do a commendable job at trying to make sense out of the chaotic period of politics during the post coup period by chronologically placing events, actors, institutions and a multiplicity of arguments into a coherent framework that is easily accessible to readers who have a general interest Thai politics and the effects which politics have on the Thai economy and vice versa (see Jones 2012 for more in depth review).

Sixteen authors are brought together in *Thai Capital After the 1997 Crisis* with an underlying theme of how domestic capital has been displaced, transformed and reconfigured in the decade since the economic crisis. The editors were able to bring together scholars which analyze the fallout effects on local/provincial level political families, industrial sectors, major Thai corporations and larger views towards rent-seeking behavior.

Porphant Ouyyannont's analysis of the Crown Property Bureau's role in the formulation and practice of Thai capitalism is far overdue and severely understudied. Due to the nature of secrecy and deference associated with this institution there is a deficit of knowledge concerning the business practices and rationales connected to this major Thai holding company. Only recently has the CPB begun to release data concerning its holdings and to many people's surprise in 2008, Thailand's monarch was ranked as the richest in the world. Ouyyannont finds the crisis made the CPB reorganize and rationalize business operations in order to survive. The unique role and relation of the CPB and its investment strategy is shown to be one of a dualistic nature that provides discount public goods while exercising profit motivations. The opaque nature of the CPB and its special status within the greater Thai political and business environment is given distinct mention with reference to its legal standing and intangible power due to its standing as an investment vehicle of the Monarchy.

Nualnoi Treerat's study of Mr. Charoen and Thai Beverage is highly prescient as it highlights the dual role of informal/personalized politics intermingling with the corporate sector and these come together to foster social recognition, deference, awe and social capital. Nualnoi distinctly

shows how political connections combined with business acumen allowed Charoen to benefit and expand his business during the crisis and emerge from the ruins of the Thai economy in an advantageous and privileged position.

Original research of local politics in Rayong was undertaken by Chaiyon Praditsit and Olarn Thinbangtiao which demonstrates the nature of economic change along Thailand's Eastern seaboard and fashion in which three dominant political clans have competed for political influence in local, provincial and national politics in order to secure their local business interests. Viengrat Netipho takes the same case study position and illustrates how business, politics and immigrant Chinese have come to dominate the political scene in the northern city of Chiang Mai.

Individual economic sectors of the automobile, services and telecommunications are analyzed within the framework of crisis politics. The telecommunications sectoral analysis undertaken by Pathmanand and Baker is of particular importance as this directly relates to Thailand's current political situation and former Prime Minister Thaksin Shinawatra's rise and use of political connections and power to enrich and protect his business empire from liberalization, regulation and ultimately by being able to set the rules of the game to favor his own personal interests.

The automobile sector analyzed by Sakkarin Niyomsilpa shows the dramatic change associated with this vital sector of the Thai economy. Sakkarin demonstrates how the crisis damaged domestic entrepreneur's positions and flung open the door for foreign capital and ownership to fully engulf Thailand's automobile industry. Veerayooth Kanchoochat undertakes a comparative study of the retail and hypermarket industry to show how the crisis allowed for full foreign penetration in this sector which has had dramatic social and cultural effects within Thailand's consumer behavior as well as logistics infrastructure. The crisis is shown to have set an agenda within the Thai government at the time that saw foreign investment as essential and due to the lack of a strong regulatory environment foreign retail giants were able to penetrate the Thai market and continue to expand their operations.

Thanee Chaiwat and Pasuk Phongpaichit demonstrate the changing nature of Thai political economy in their examination of the changing dynamics of rents and rent seeking behavior under the premiership of ex Prime Minister Thaksin Shinawatra. Their study sheds light on the role which the former PM played in delegating political rents within economic circles while changing the entire nature of how political power is deployed in the post 1997 constitution era.

In retrospect the foreboding and dire predictions of Thailand being sold off to opportunistic foreigners and collapse of Thai domestic capital and industry was a product of the extreme times, instability and attendant fear that closed the end of the last millennium in Thailand (Ramstetter 2004). Recitation and recalibration of the Thai economy was well on its way by the early 2000's under the first Thaksin administration which introduced a broad policy platform to indirectly alleviate rural poverty and agricultural troubles such as commodity price stabilization, debt relief, universal health care and marketing support (Montesano 2002, Rado 2008, Warr 2005), a reorientation and expansion of export led growth via trade liberalization and FTA accessions (Chirathivat, & Mallikamas 2004, Mutebi 2003, 2004, Nagai 2002, Sally 2007, Thanapan 2007, Pholphirul 2010, Vincent 2007), industrial structural support and reform (Lauridsen, 2009, Intarakumnerd 2011), urbanized spatial growth and decentralization in centers with public sectors inputs to stimulate economic growth and activity (Glassman 2007, Webster 2005) and support for SME's and in particular protection for large-scale domestic business (Baker 2005, McCargo and Pathmanand 2005, Phongpaichit and Baker 2009). Realities of the post-crisis Thai economy have been intertwined with Thailand's turbulent political winds and inextricably linked to policies implemented by former Prime Minister Thaksin. In terms of broad contours and macroeconomic stability scholarly commentary centers on the neoliberal vs. populist debate concerning the supposed Thaksin allied 'new' elite and traditional 'old' elite. Generally, this debate is innocuous and misplaced as the differences between Democrat led neoliberals and Thaksinite reformers is simply a matter of degrees (Phongpaichit and Baker 2008, 2009) and detracts from hard-hitting debates of where Thai income/

wealth/asset inequality emerge from and the resultant social conflict which may very well be born out of such disequilibrium (Phongpaichit 2009). The overt nature of socio-economic inequality and its attendant political effects is best exemplified by focusing on metropolitan Bangkok and the ostentatious nature of wealth flaunting but provincial Thailand offers a multiplicity of microcosms and a more open reflection of the “other” side of the Thai economy.

Most studies of the Thai economy focus on the macro environment and general status of the whole Thai economy (Siriprachai 2009, Pholphirul 2009) or are centered towards the under belly and grey economy (Phongpaichit et. al. 1998). Only recently have Thai studies scholars began to combine meta, meso and micro level interactions of politico-economic actors and their effects on the local to national level political space (McCargo and Pathmanand 2005, Nishizaki 2011, Ouyyanont 2007, Pathmanand 1998, Shatkin 2004). What these volumes illuminate for readers is the highly nuanced dimensions of economic relationships and the delicate intertwining of familial, corporate, individual and group level phenomena which characterizes Thailand’s murky economic and political relations. From a macro perspective the Thai economy and its political system appear to mirror, at least in form, western liberal systems. But lying directly underneath the macro statistics and parliamentary politics one encounters a myriad of Thai socio-cultural relations and an economic history that is hardly either liberal or western in orientation. The role of corporate concerns is highly pronounced in the Thai economy and upon greater reflection one is struck by the disproportionate role that traditional “kong sri” or modern corporate versions of the family business incorporated plays. In essence the greatest Thai conglomerates which drive domestic finance, capital, exports, imports, manufacturing, tourism, retail and influence disproportionately the Thai stock market and political arena are despite securitization, family enterprises. Some of the highest profile of these are Central Group, Chareon Pokphand, Manager Group, Thai Summit, Bangkok Bank, Thai Farmers Bank, Bank of Ayutthaya, Siam Commercial Bank, Siam Cement Group, TPI Petrochemicals, Advanced Information Service (until it was sold to Temasek), Land & House Group are only a

fraction of the numerous other large family combines. *Thai Capital After the 1997 Crisis* allows readers a glimpse into the nature of large-scale conglomerates and how they survive and are indeed dependent on political connections to secure their profits and privileged positions. The authors also provide crucial insight into provincial political elites and the displacing effects which the crisis had on their operations in terms of creating an absolute imperative to enter and control a decentralizing political structure and how politics helps secure families economic positions.

The crisis itself dislocated many Thai entrepreneurs and opened the Thai economy significantly to foreign capital penetration but it also stimulated consolidation and strengthening of domestic businesses which survived. The biggest winners to emerge from the ruins of the Thai economy were inherently those which allied and attached their businesses to politicians and eventually under the premiership of Thaksin, to the state itself. In fact, the crisis itself stimulated awareness among domestic business elites that in order to stabilize their businesses and provide protection from the forces of globalization a dramatic direct takeover of state power and resources was needed. If anything the economic crisis served to aggravate inequalities by the policy prescriptions imposed and consented to by the Democrat led government, the cost of which disproportionately fell upon the poor, rural and middle class.

The economic and constitutional events of 1997 served as point of understanding whereby political and business interests of varying character have found common ground in the need for support of domestic capital and had to enter a steep learning curve in order to survive. At best the 2006 coup and deeply conservative forces which pushed themselves back to the fore served to completely alienate Thailand's conservative elites from the larger rural population and has created a worrying sense of disillusionment among the urban middle class. The coup and its aftermath has deeply divided Thai political society in general and created an environment ripe for violent confrontation by attempts to turn back the clock to a bygone era and recreate the fractured parliamentary politics of the pre-Thaksin period, roll back the power of provincial elites by cooptation and curtail the emerging

consciousness of a hitherto disempowered rural and poor majority. These texts put forth a clear understanding that Thailand's participation in the global economy when combined with money politics derived from increased wealth and a proclivity for opportunism by businessmen and politicians seeking to utilize the power of the Thai state for their personal ends can lead to phenomenal profits, social acceptance and conflict. When understood in tandem the nature of high stakes business and politics in Thailand tend to feed off one another in various forms of symbiotic relations and are far more integrated than meets the eye when simply taken at a glance.

With the economic crisis fast fading in the collective memory of those who experienced it, an emerging generation not familiar with the hardships endured during 1997-2000, economic recession in the west, large and sustained socio-political conflict and monarchical succession looming the lessons learned from that turbulent period may very well resurface once again. Tough decisions requiring political strength and capital are going to be required in the near future with the ASEAN Economic Community coming online, rising wages, high inflation and economic stagnation in traditional dominant export countries for the Thai economy and a rising political consciousness among the rural electorate for benefits of the state budget and government policy. Whether or not current political leaders can make these hard decisions without dragging Thailand and its people through another crisis or economy and/or politics remains to be seen. But the festering underbelly of rampant industrialization and highly disproportionate distribution of wealth appears to be a problem that will not go away and is increasingly being addressed in various forms of political side payments. Whether this practice can continue and fill the expectations/credibility gap without resort to violence and crisis politics also remains to be seen. Either way one can be assured that when these issues are to be addressed, regards of whether it's economic or political issues the other will be impacted in a very strong fashion.

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