

Central Intelligence Agency



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**DIRECTORATE OF INTELLIGENCE**

4 September 1986

**Thailand: The New Prem Government**

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**Summary**

We believe Prime Minister Prem's new coalition will last no more than two years because of unity problems, squabbles over economic policy, and pressure from the military. It may be that Prem intends the present government to hold together only until the royal birthday celebrations in late 1987, at which he is to preside. In any case, we expect Army Commander Chavalit to consolidate his political position over the next 18 months as he maneuvers to succeed Prem.

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The new Cabinet appointees reflect Prem's preference for technocrats and retired military men over politicians, and include several holdovers from the previous government. The new coalition's biggest challenges will be to maintain internal discipline and to avoid a spending spree that would increase Thailand's foreign debt burden. Conservative technocrats can probably forestall pressures for any budget-busting increases in spending, but we believe the prospects for Cabinet unity are poor. A major reason for our pessimism is Prem's decision to return to

This memorandum was prepared by [ ] Office of East Asian Analysis and [ ] Office of Leadership Analysis. Information available as of 4 September 1986 was used in its preparation. Comments and queries are welcome and may be directed to the Chief, ITM Branch, Southeast Asia Division, OEA, [ ] or the Chief, Asia Branch, Asia/Near East Division, LDA [ ]

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the potentially destabilizing "split" ministry system he used in 1980-83, under which ministers from different parties are appointed to the same ministry. [redacted] 25X1

#### Introduction to the New Cabinet \*

The new Cabinet contains 43 ministers and deputies, plus the Prime Minister.\*\* It is generally similar in outlook to its predecessor--conservative, pro-Western, and dominated by nonpartisan appointees and retired military men, who hold the most significant posts. The recent Cabinet statement presented to Parliament indicated few new ideas concerning foreign and domestic policy. As in 1983, Prem has tapped a retired officer, Adm. Sonthi Bunyachai, as his principal deputy. [redacted] 25X1

The biggest surprise in the new Cabinet is that the Democrat Party (DP), which won nearly 40 seats more than the next largest coalition party, picked up only four portfolios, the most noteworthy being Agriculture and Cooperatives. Prem's supporters, and the Social Action Party (SAP) and the Thai Nation Party (TNP), have more grounds for satisfaction than the DP: each received three portfolios, including the important Foreign Affairs (SAP), Commerce (SAP), Industry (TNP), Defense (a Prem supporter), and Finance (a Prem supporter). [redacted] 25X1

In our judgment, the Cabinet represents a mix of skill, experience, and political expediency. Although US diplomats praised the overall caliber of the Cabinet, some appointments--such as the TNP ministers of Communications and Justice--are clearly designed to reward undistinguished party loyalists. Cabinet holdovers include SAP chief Foreign Minister Siddhi, fellow SAP member Surat, who remained Minister of Commerce, and several ministers attached to Prem's Office. The Minister of Agriculture and Cooperatives, a hard-driving and capable Democrat, is the outstanding newcomer. Retired Gen. Han Linanon's appointment to the Agriculture portfolio is probably a consolation prize, for both the popular Han and his party reportedly had hoped he would be offered the Interior post [redacted] 25X1

The inconclusive election results last month have translated into an unwieldy Cabinet riven by competing interests, a factor that may turn out to be its greatest weakness. Prem has reverted to a system used in his first three Cabinets, that of splitting some portfolios among two or more political parties, a practice that was an endless source of problems for Prem in 1980-83. As matters stand, only six of the 13 ministries are exclusively in the hands of either one party or Prem supporters, including the important Foreign Affairs (SAP) and Defense portfolios (Prem supporter). Commerce, for example, is divided among the SAP, TNP, and DP, with SAP appointee Surat holding the ministerial portfolio (see appendix B for a listing of each ministry and its ministerial appointments). [redacted] 25X1

\*See appendix A for an analysis of the election results and the new parliament. [redacted] 25X1

\*\*The original Cabinet numbered 45 members, but a deputy minister resigned on 1 September. [redacted] 25X1

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Among the Cabinet's other key economic portfolios Finance is in capable hands, with two experienced economists in charge--technocrat Minister Suthi and Democrat rising star Suphachai, one of the two deputies. Industry and Communications, however, could once more become conduits for corrupt deals with private businessmen. [ ] during the wrangling for ministerial appointments TNP leader and Deputy Prime Minister Chatchai received a loan worth more than \$2 million from a Sino-Thai businessman in return for promising that the TNP would join the new government and obtain the Industry portfolio. Similarly, we view the appointment of an important TNP leader, Banhan Silpa-acha, to the lucrative and powerful Communications post, as an effort to reward a longtime supporter and net additional revenues for the party at the same time. [ ]

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On the positive side, the Cabinet appointments increase Prem's influence over administration and security. For example, Prem moved one of his closest advisers, National Security chief Prasong, to the Prime Minister's Office as secretary general, where he will supervise policy implementation and foreign and national security affairs. Prem gave up his Defense portfolio to his deputy Phaniang, a rather weak former officer who will probably reflect Prem's policies faithfully. Finally, the Prime Minister appointed former Deputy Prime Minister Prachuap to be Minister of Interior. Prachuap, like the new Minister of Defense, has a mediocre record, according to US diplomats, and we believe the appointment reflects Prem's desire to place a loyal supporter in charge of the important police and administrative network. [ ]

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### Challenges Ahead

We believe Prem's biggest challenge will be to maintain unity within the new coalition. During his first term in 1980-83, Prem grouped the SAP, DP, and TNP in coalitions that were notorious for their public back-stabbing and inefficiency. Prem has become more politically adept since then, but we judge that he will have trouble with his new government for several reasons:

- The decision to "split" ministries. The practice of appointing ministers from different parties to the same ministry will probably intensify interparty rivalries and hamper efficiency, in our opinion.
- Continued weak party discipline. Given his inability to hold SAP together last spring, we suspect that Foreign Minister Siddhi will have further trouble managing his party in the legislature. Although some of the chief troublemakers have left the TNP, we remain doubtful that the party has resolved its persistent factionalism. In addition, press reports indicate unhappiness among Democrats with party chief Phichai's leadership, particularly among the party's influential southern wing.

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- Increased corruption. US diplomats report that the recent election was the most expensive in Thai history, and that many politicians are heavily in debt. Some observers worry that the need for ready cash will lead to increased corruption among the Cabinet members. [REDACTED]

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In addition, although Prem has disposed of former Army Commander Arthit, we expect that military efforts to pressure his government are far from over. Arthit's replacement, General Chavalit, harbors his own ambitions despite his public support for Prem, according to US diplomats. Over the next year, we expect him to improve his position at Prem's expense, ultimately to succeed him. Furthermore, the mutual suspicion between the military and the Democrat Party has flared up again: military and opposition accusations that the Deputy Minister of Interior--a Democrat--defamed the monarchy forced his resignation only three weeks after taking office. [REDACTED]

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The new government also faces an immediate challenge in the economic sphere. Although exports were up almost 20 percent in dollar terms through the first 6 months of 1986, economic growth is showing little improvement over last year's record low of 4 percent as business confidence and private investment remain weak. US diplomats point to continuing difficulties in the agricultural and real estate sectors, along with poor management and several fraud cases that have hit the financial sector, as some of the reasons. [REDACTED]

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Although the coalition parties are pressing to spur the economy through increased spending, Finance Minister Suthi and other technocrats argue that continued fiscal restraint is crucial. We agree--the budget deficit this year is likely to balloon to more than \$2 billion, or more than 5 percent of GDP, because of a revenue shortfall brought on by the sluggish economy compounding the problems of an inefficient tax collection system. This would put Thailand out of compliance with its IMF guidelines, and jeopardize access to IMF funds. If Bangkok has to finance this deficit with heavy borrowing on foreign money markets, the country's good international credit rating could be adversely affected. [REDACTED]

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## Outlook

We doubt that Prem's present coalition will last as long as the previous government, which held for roughly 36 months. In our judgment, Cabinet disunity, and military muscle-flexing, and quarrels over economic policy are likely to take their toll. [REDACTED] some coalition members expect a Cabinet reshuffle within the next several months, and we would not be surprised if Prem reshuffled his Cabinet several times within the next 12 to 18 months. [REDACTED]

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The first test of Cabinet unity may come within weeks, when a controversial legislative package will come before Parliament. Aimed at tightening regulations on banks and increasing certain indirect taxes, the defeat of this legislation led to the collapse of the previous coalition last spring. We are not sure that the package will pass this time around, and US Embassy sources say that the government may decide to

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[REDACTED]

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allow coalition members to vote freely--in effect, to back away from its own legislation. By allowing a free vote, a legislative defeat would not translate into a de facto no-confidence vote. [REDACTED]

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On the spending front, we expect a somewhat stronger performance. As long as they retain Prem's support, we believe Suthi and his team at the Finance Ministry will be able to block any budget-busting spending increases. Without some improvement in the economy, however, the new government undoubtedly will face increasing pressure across the political spectrum. [REDACTED]

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Finally, although we do not expect an immediate challenge, we believe Prem's military and royal support may be eroding after six years in office. According to US diplomats, there is a lack of enthusiasm for his leadership, and King Bhumipol's 60th birthday celebration in December 1987 is being widely touted as the finale of Prem's political career. We find this view plausible, [REDACTED]

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[REDACTED] Over the past year, we have seen Army Commander Chavalit consolidating his support among the military, the palace, and the parties, and by next year both he and Assistant Army Commander Pichtr will be senior enough to present credible alternatives to Prem's leadership. If Prem steps down or if forced out over the next two years, we believe Chavalit will be first in line to succeed him. [REDACTED]

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[REDACTED]

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## APPENDIX A

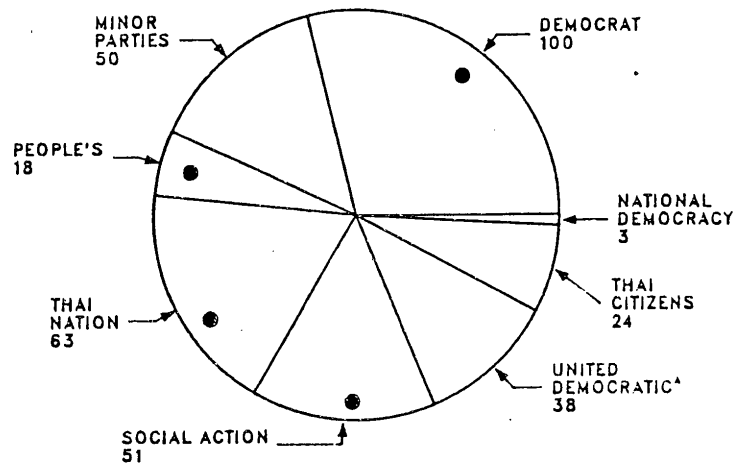
# REPRESENTATION IN THAI PARLIAMENT

## NUMBER OF SEATS

1986  
TOTAL 347

THE VOTING. THE 27 JULY ELECTIONS RECORDED A RESPECTABLE TURNOUT OF 61 PERCENT NATIONWIDE, ALTHOUGH ONLY 37 PERCENT OF BANGKOKIANS WENT TO THE POLLS. AS USUAL, VOTE-BUYING WAS WIDESPREAD. THE DEMOCRAT PARTY, WHICH TOOK 56 SEATS IN 1983, MADE THE LARGEST GAINS--DOUBLING ITS REPRESENTATIVES IN BANGKOK, CARRYING MORE THAN THREE-FOURTHS OF THE SEATS IN THE SOUTH, AND PLACING SECOND TO THE THAI NATION PARTY IN THE NORTHEAST, A TNP STRONGHOLD. DESPITE THE LOSS OF 10 SEATS, THE TNP CAME IN SECOND, WHILE THE SOCIAL ACTION AND THAI CITIZENS PARTIES PERFORMED BETTER THAN EXPECTED, ACCORDING TO US DIPLOMATS. THE UNITED DEMOCRATIC PARTY--ASSOCIATED WITH ARTHIT--FADED BADLY DURING THE CAMPAIGN.

THE NEW PARLIAMENT CONTAINS AN ADDITIONAL 23 SEATS TO COMPENSATE FOR POPULATION GROWTH SINCE THE 1983 ELECTIONS. ACCORDING TO PRESS REPORTS, BUSINESSMEN FORM THE SINGLE-LARGEST OCCUPATIONAL GROUP IN THE NEW LEGISLATURE. ACCORDING TO THE US EMBASSY, A NUMBER OF OLD-STYLE GODFATHER POLITICIANS LOST THEIR SEATS--INCLUDING ONE NORTHEASTERNER BELIEVED TO BE A MAJOR MARIJUANA TRAFFICKER--TO WELL-EDUCATED YOUNGER CANDIDATES.



\* NEW PARTY.

● = COALITION GOVERNMENT

## Appendix B

## Composition of Prem V Cabinet by Individual and Party

<u>Ministry</u>	<u>Position</u>	<u>Name</u>	<u>Affiliation</u>
Agriculture and Cooperatives	Minister	Gen.Han Linanon	DP
	Dep.Min.	Prayut Siriphanit	SAP
	Dep.Min.	Sano Thianthong	TNP
	Dep.Min.	Suthep Thuaksuban	DP
Commerce	Minister	Police Captain Surat Osathanukhro	SAP
	Dep.Min.	Chuchip Hansawat	TNP
	Dep.Min.	Prachuap Chaiyasan	DP
Communications	Minister	Banhan Sinlapa-Acha	TNP
	Dep.Min.	LtCol. Sanan Khachonprasat	DP
	Dep.Min.	Suraphan Chinnawat	TNP
Defense	Minister	Air Chief Marshal Phaniang Kantarat	PREM
Education	Minister	Marut Bunnak	DP
	Dep.Min.	Gen. Mana Rattanakoset	PEP
	Dep.Min.	Samphan Thongsamak	DP
Finance	Minister	Suthi Singsane	PREM
	Dep.Min.	Praphat Phosuthon	TNP
	Dep.Min.	Suphachai Phanitchaphak	DP
Foreign Affairs	Minister	Air Chief Marshal Siddhi Sawetsila	SAP
	Dep.Min.	2ndLt. Praphat Limpaphan	SAP
Industry	Minister	Pramuan Saphawasu	TNP
	Dep.Min.	Kon Thappharangsi	TNP

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Interior

Minister	Gen.Prachuap Suntharangkun	PREM
Dep.Min.	Chaliao Watcharaphuk	PEP
Dep.Min.	Montri Phongphanit	SAP
Dep.Min.	Sukhum Lawansiri	TNP
Dep.Min.	Wira Musikaphong*	DP

Justice

Minister	Sa-at Piyawan	TNP
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Prime Minister's Office

DPM	MGen. Chatchai Chunhawan	TNP
DPM	Phichai Rattakun	DP
DPM	Phong Sarasin	SAP
DPM	Adm. Sonthi Bunyachai	PREM
DPM	Gen. Thianchai Sirisamphan	PEP
Minister	Chirayu Itsarangkun	PREM
Minister	Michai Ruchuphan	PREM
Minister	Flight Off.Suli Mahasanthana	PREM
Minister	Wichit Saengthong	PREM
Minister	Chaisiri Ruangkanhanaset	SAP
Minister	Amnuai Suwannakhiri	DP

Public Health

Minister	Thoetphong Chaiyanan	DP
Dep.Min.	Watcharin Ketawandi	DP

Science, Technology & Energy

Minister	Banyat Banthatthan	DP
Dep.Min.	Phichai Rattakun	DP

State University Bureau

Minister	Subin Pinkhayan	SAP
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\*Resigned 1 September.

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## Appendix C

## New Faces in the Cabinet

Han Linanon, Minister of Agriculture and Cooperatives

Retired general, former southern Army commander, and architect of "peaceful south" project that broke decade-old Communist insurgency...no experience in agricultural issues...energetic deputy leader of Democrat Party...well-known for willingness to buck the system...vocally opposed to military's dominant political role...disquieting to some Army leaders, Palace, and bureaucracy...well-disposed toward United States, little use for Soviet Union or China...62 years old. [redacted]

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Prasong Sunsiri, Secretary General, Prime Minister's Office

Strongly nationalistic and extremely sensitive on questions involving Thai sovereignty...recently resigned as Secretary of National Security Council to take new position...held primary responsibility for coordinating refugee and relief affairs...articulate and strong-minded in defending restrictive refugee policies...close relationship with Foreign Minister Siddhi...intelligent and thoughtful...exudes professorial demeanor...master's degree in international relations from the University of Colorado (1963)...59 years old. [redacted]

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Pramuan Saphawasu, Minister of Industry

First elected to Parliament in 1974 from central region...member of TNP...appointed to Prime Minister's Office as adviser from Social Justice Party in mid-1970s...began career in Royal Forestry Department, later resigned to run his own sawmill...since involved in mining and construction business...onetime deputy president of Construction Contractors Association of Thailand...58 years old. [redacted]

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Kon Thappharangsi, Deputy Minister of Industry

Nephew of TNP leader Chatchai...destined for top leadership positions in TNP...outspoken and knowledgeable on economic affairs...onetime managing director of family business, Erawan International Company...commercial and economic analyst at Canadian Embassy, Bangkok (1968-74)...served as secretary to Chatchai when he was Minister of Foreign Affairs (1974-75) and Minister of Industry (1980-83)...wealthy...highly Americanized...graduate of Clark University in Worcester, Massachusetts...46 years old. [redacted]

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Suphachai Phanitchaphak, Deputy Minister of Finance

Talented and respected economist...40 years old and one of Democrat Party's rising stars...resigned from Bank of Thailand, where he supervised financial institutions.

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to run for office...favors financial and tax reform, stronger role for private sector, more foreign investment...disagrees with critics of US Farm Act...received Ph.D from Netherlands School of Economics, Rotterdam, and worked under Nobel Prize winner Prof. Jan Tinbergen. 

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