The Political Economy of
Telecommunications Liberalisation in Thailand

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Declaration

This thesis is the product of my original work.

Sakkarin Niyomsilpa
For my mother, Chuenjit and my father, Silpachai.
Acknowledgments

First of all, I would like to express my deep gratitude to Emeritus Prof. Jamie Mackie, Dr. John Ravenhill and Dr. Craig Reynolds, members of my supervisory committee, who devoted their time, energy and brainpower giving me guidance and direction in the production of this thesis. Despite his health concerns, Prof. Mackie spent hours on each chapter of my thesis, discussing with me important issues related to the topic. Dr. Ravenhill helped in the development of my political economy approaches, and urged me to adopt a broader perspective in the analysis of the telecommunications sector. As chairman of the committee, he was also loaded with paper work relating to university requirements. Dr. Reynolds provided his expertise on Thai politics and history to make this thesis a more balanced study that combined both Thai and Western perspectives. During the past four years, I have learned a great deal about Thai society from Dr. Reynolds and from literature that he suggested for me to read. I was more than lucky to work with these three distinguished scholars, whose combined knowledge and experience helped to endow me with the ideal academic groundwork.

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Abstract

The last decade has seen rapid changes in Thailand's socio-economic structures, with many emerging forces, such as the middle class and the urban populace, the NGOs, and numerous political parties, assuming active roles in society and politics. Business has become, more generally, one of the most important forces of all, and its dramatic growth during this period has been the main factor behind Thailand's impressive economic growth and industrialisation. The telecommunications revolution taking place in Thailand since the 1980s exemplifies the country's multifarious changes, which have transformed the political power and status of business and also its relationships with other political forces. The explosive growth in local telecommunications business, and the growing maturity of party-based politics since the 1970s, have resulted in the winding back of bureaucratic power and of its control over one of the most regulated industries in Thailand.

This thesis studies the changing character of state-society relations in Thailand during the past decade by focusing on the telecommunications industry, which has become one of the most important economic sectors of the country. Importantly, major political and economic interests are actively involved in this industry. The thesis examines the privatisation and gradual liberalisation of the telecommunications sector during the past decade and the political dynamics behind these policies, as well as the regulatory reform measures attempted by the various political regimes. It also reviews the political and bureaucratic corruption occurring within the telecommunications sector and their political implications, and the policy-making processes of the state in issuing telecommunications licenses to the private sector. The issues of technology and the effects of the state to establish Thailand as a regional telecommunications centre are also discussed to better understand the dynamics of telecommunications reform and its special place in the political economy of contemporary Thailand.

This thesis argues that the bureaucracy is no longer the dominant power in Thai politics, and that Thailand has moved away from the former 'bureaucratic polity' towards a more pluralistic socio-political system in which a broadly-based 'liberalisation coalition' has emerged. Various case studies in telecommunications policy-making are examined which reveal that the old-style institutional conflicts between the bureaucracy and extra-bureaucratic forces have gradually been transformed into coalitional conflicts between a pro-reform coalition and a more conservative coalition. While both coalitions are marked by shifting ideas and changing positions of the major interests and actors involved, the emerging political alignment between the technocrats, business, and political parties have proved to be the mainstay of the 'liberalisation coalition', playing the most influential role in the politics of telecommunications liberalisation in Thailand. It further contends that political parties have increasingly become the channel through which the interests of the pro-reform and their rivalry, the more conservative coalitions, have coalesced.
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# Acronyms and Abbreviations

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<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>AAT</td>
<td>Airport Authority of Thailand</td>
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<tr>
<td>AMPS</td>
<td>American Mobile Telephone System</td>
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<tr>
<td>ASEAN</td>
<td>Association of Southeast Asian Nations</td>
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<tr>
<td>AT&amp;T</td>
<td>American Telephone and Telegraph Company</td>
</tr>
<tr>
<td>BIBF</td>
<td>Bank of International Banking Facilities</td>
</tr>
<tr>
<td>BOI</td>
<td>Board of Investment</td>
</tr>
<tr>
<td>BTO</td>
<td>Build-Transfer-Operate contract</td>
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<tr>
<td>CAT</td>
<td>Communications Authority of Thailand</td>
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<td>CCC</td>
<td>Counter Corruption Commission</td>
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<tr>
<td>CEM</td>
<td>Council of Economic Ministers</td>
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<tr>
<td>CIRCIT</td>
<td>Centre for International Research on Communication and Information Technologies</td>
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<tr>
<td>CP</td>
<td>Charoen Pokphand Group of Companies</td>
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<tr>
<td>CPT</td>
<td>Communist Party of Thailand</td>
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<td>DPZ</td>
<td>Data Processing Zone</td>
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<tr>
<td>EOI</td>
<td>Export-oriented Industries</td>
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<td>GATS</td>
<td>General Agreement on Trade in Services</td>
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<td>GTDC</td>
<td>General Telephone Directory Company</td>
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<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
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<tr>
<td>ISBN</td>
<td>Integrated System Business Network</td>
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<tr>
<td>ISDN</td>
<td>Integrated System Digital Network</td>
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<tr>
<td>ISI</td>
<td>Import Substitution Industries</td>
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<tr>
<td>JPPCC</td>
<td>Joint Public-Private Consultative Committee</td>
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<tr>
<td>MCOT</td>
<td>Mass Communications Organization of Thailand</td>
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<tr>
<td>MNC</td>
<td>Multinational Corporation</td>
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<tr>
<td>MOF</td>
<td>Ministry of Finance</td>
</tr>
<tr>
<td>MOTC</td>
<td>Ministry of Transport and Communications</td>
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<tr>
<td>NAP</td>
<td>New Aspiration Party</td>
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<tr>
<td>NECTEC</td>
<td>National Electronics and Computer Technology Centre</td>
</tr>
<tr>
<td>NESDB</td>
<td>National Economic and Social Development Board</td>
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<tr>
<td>NESDP</td>
<td>National Economic and Social Development Plan</td>
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<tr>
<td>NGO</td>
<td>Non-Governmental Organisation</td>
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<td>NIE</td>
<td>Newly Industrialising Economy</td>
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<td>NMT</td>
<td>Nordic Mobile Telephone System</td>
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<tr>
<td>NPKC</td>
<td>National Peace Keeping Council</td>
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<td>PTD</td>
<td>Post and Telegraph Department</td>
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<td>Samart</td>
<td>Samart Group of Companies</td>
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<td>SAP</td>
<td>Social Action Party</td>
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<td>SC&amp;C</td>
<td>Shinnawatra Computer and Communications Group of Companies</td>
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<tr>
<td>SOE</td>
<td>State-owned Enterprise</td>
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<td>TCT</td>
<td>Telecommunications Association of Thailand</td>
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<tr>
<td>TDRI</td>
<td>Thailand Development Research Institute</td>
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<tr>
<td>TNC</td>
<td>Transnational Corporation</td>
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<td>TOR</td>
<td>Terms of Reference</td>
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<td>TOT</td>
<td>Telephone Organization of Thailand</td>
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<tr>
<td>TT&amp;T</td>
<td>Thai Telephone and Telegraph Public Company</td>
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<tr>
<td>UCOM</td>
<td>United Communication Industry</td>
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<tr>
<td>VSAT</td>
<td>Very Small Aperture Satellite</td>
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Note on Interviews

Where interviewees have requested anonymity, the reference to the interview is merely to the date on which the interview was conducted. In other instances, the name and position of the interviewee are noted; all of these interviews were conducted between January and June 1993. Appendix 3 lists the names and positions of interviewees who did not request anonymity.
Chapter One: Introduction

This dissertation is a study of the politics of the telecommunications industry in Thailand, one of the nation's fastest growing economic sectors, which has been experiencing dramatic changes in regulatory policies and trends towards privatisation and liberalisation since the mid-1980s. Its main focus is not on the business side of telecommunications — i.e. its services and technologies — but rather on the political side, relating to the regulatory regime and its liberalisation. This study will explore various aspects of state-society relations such as the issues of state autonomy, the influence of society-based groups and forces, and the interactions among the various institutions and interests involved in the telecommunications field. Case studies involving regulatory reforms, the liberalisation of the telecommunications market, and the telecommunications policy-making process will be examined to discover how the politics of telecommunications reform since the 1980s have been affected by other changes in Thailand's broader political economy.

One of the basic assumptions of this study is that state-society relations in Thailand have been moving gradually in the direction of an increase in the roles and influence of societal forces. Political parties and business enterprises, in particular, have gained increasingly powerful political leverage over the years, both by virtue of their greater wealth and economic significance (in the case of business) and by improving their ties with different arms of the bureaucracy, as well as taking direct control of the government and state instrumentalities (in the case of political parties). The political economy of Thailand during this period can best be characterised as consisting of shifting coalitions of interests and institutions advocating or opposing policy reforms such as deregulation and privatisation, alternating from time to time in their ability to shape (and, equally important, to implement) government policies. The Thai bureaucracy has not been a monolithic actor in all this, as is so often depicted, but has been made up of various segments whose interests and ideas have often differed. It is not useful to draw a sharp distinction between state and society by differentiating the bureaucracy too sharply.
from either the business sector or the political parties. On the contrary, all institutions and interests, be they state or non-state, must be seen as engaged in the creation of shifting and changing coalitions on the issue of liberalisation. Also, the intrinsic dynamism of these institutions and interests must be recognised, as their positions and ideas on liberalisation have been gradually changing as the political context has altered. Finally, this thesis emphasises the ways in which attitudes towards privatisation and liberalisation have influenced telecommunications policy and the policy positions of the actors involved.

What is so important about the politics of telecommunications? Is it typical or atypical of Thailand's political economy? One answer is that the telecommunications sector provides us with a revealing case study of the changing relationships between the newly emerging business world of Thailand (both private business firms and state enterprises), the bureaucracy and the political parties – as represented, in particular, by their ministers in the various cabinet coalitions – as they have been developing over the last decade. It is important to stress from the outset, however, that this development has not always been a one-way process from a Riggsian type of bureaucratic polity in the 1950-60s towards a more democratic or representative form of government based on party support in the parliament, although the general trend has been in that direction. The changing character of the political system under the Prem government (1980-88), Chatichai (1988-91), Anand (1991-92) and Chuan Leekpai (1992-95) is better seen as a series of fluctuations, or zig-zags, as we shall see, although there is no doubt that since 1992 the political parties have become for more influential and the Army far less so than they were in Prem's time, or under Anand.

As significant as these political changes, however, was the fact that during this time the Thai economy was also experiencing a dramatic transformation, from a slump in the mid-1980s to double-digit GDP growth rates from 1988 onwards. This surge in economic growth brought with it major changes in the structural basis of the Thai economy and its export patterns, as well as in Thai society more generally, from which
there can be no going back. The rising demand for telephones and new forms of telecommunications services has been one very dramatic manifestation of that economic growth. Another manifestation has been the much greater degree of private capital investment in the provision of those services which had previously been monopolised by two state agencies, the Telephone Organization of Thailand (TOT) and the Communications Authority of Thailand (CAT). Hence the pattern of relationships between the once dominant bureaucracy and the newly emerging private sector has been evolving in a way that throws light on broader changes in state-society relationships in Thailand during the 1980-90s. At the same time, the role of political parties in the political system, as well as the connections between them and various business groups, has developed significantly since the years of Prem's several governments between 1980-88. Some aspects of this trend will become apparent from this examination of the complex political dynamics behind telecommunications policies.

At one level, telecommunications, like any other economic sector, is a new area of micro-level political and economic activity. Following the intense debates on the nature of Thailand's political economy since the overthrow of the former authoritarian regime in the 1970s, there has been growing interest in micro-political studies of key sectors of the economy such as telecommunications, in order to find empirical evidence that will throw light on the dynamics of socio-economic change in Thai society. This level of analysis directs our attention to the many interests and organisations involved and their interactions. Different cases have involved different interests, each of them exercising varying amounts of power and influence. The older elements of the bureaucratic structure can also still be observed to be playing a part alongside the emerging power of new societal forces. Many sectoral studies have suggested that the gains in power and wealth of one interest group or institution may not necessarily mean a loss for others, as in a zero-sum game situation. On the one hand, alliances among military officers, bureaucrats, and businessmen in certain economic activities, such as resource exploitation, often have helped to preserve the status quo of the bureaucracy in the face of expanding business interests in Thailand and neighbouring states. On the
other hand, the new preeminence of export-oriented industries can hardly be attributed solely or primarily to the helping hand of the Thai bureaucracy. As it turns out, the growing importance and influence of these sunrise industries have instead forced the Thai state and its agencies to amend policies and regulations in support of those industries' interests, mainly for the sake of the country's foreign-exchange earnings. In short, a study at the micro-political level such as this provides a clearer and more concrete view of these various aspects of Thailand's political economy in much the same way as the pieces of a jigsaw puzzle gradually fit into place and a larger picture then emerges.

At another level, the telecommunications sector differs from most other economic sectors in Thailand because it is not merely one piece of the jigsaw, but virtually a microcosm of Thailand's broader political economy as well. Two factors in particular suggest that telecommunications epitomises the overall orientation of Thailand's political economy during the 1980s and early 1990s: first, its dual political character, embodying both old and new patterns of Thai politics, and second, its crucial links to the regional and global political economies. Telecommunications can be seen as a rather special sector of the economy, not just because of its increasing economic importance, but particularly because of its dual character. From one vantage point, the politics of telecommunications resembles a classic case of the old bureaucratic polity wherein military officers and civil bureaucrats dominated nearly all state enterprises. Complex organisational structures and a maze of regulations, conditioned by state monopoly and political patronage, provided bureaucrats and military officers with access to the huge financial resources generated by telecommunications businesses. From another vantage point, the limited liberalisation implemented since the latter half of the 1980s in order to relieve Thailand's infrastructure bottlenecks has not only transformed the telecommunications industry dramatically into the fastest-growing economic sector, but also produced an increase in the influence of non-state interests, particularly new business groups. While the 1980s saw the emergence of only a few small-scale local telecommunications firms vying to subcontract government projects, the 1990s have seen the graduation of these companies into large conglomerates spreading their wings into
Indochina, the ASEAN countries, China, and latterly even India. As a consequence, army generals and senior bureaucrats can no longer manipulate the politics of telecommunications single-handedly as in the past; other major political actors are now taking part to further their own political and economic interests. Because of this dual, but still rather ambiguous character of the politics of telecommunications, it can either take the form of low-level political manoeuvring involving mainly labour unions and bureaucrats in public enterprises, or it can become a high-level political exercise involving even the Prime Minister, army commander, and top business leaders. In this respect, a study of the politics of the telecommunications industry provides a revealing picture of the links between micro- and macro-politics in Thailand today.

In addition to its dual political nature, telecommunications combines many features that link the domestic economy to the regional and global economies. These attributes signify a new pattern of political economy for Thailand which are not so clearly visible in other economic sectors. First, rapid technological development in telecommunications has greatly affected the state's capacity to control the telecommunications market and business, resulting in an inevitable revision of state regulatory regimes and the underlying logic behind their control. Second, the technology-led development of telecommunications business and the subsequent deregulation in other parts of the world, North America and the UK particularly, have altered most international telecommunications regimes, leading to increased pressure for regulatory reforms in multilateral forums as well as in bilateral negotiations. Third, the liberalisation of telecommunications policies and Thailand's resurgent idea of itself as a major regional power have been interwoven into the state's grand scheme to turn Thailand into the financial, communications, and tourist hub of the region immediately surrounding it. Fourth, unlike other established economic sectors such as the finance sector and large-scale industries, telecommunications business has mainly comprised newly-emerging enterprises which have underpinned much of Thailand's economic
success during and since the 1980s. Their economic maturity and rapid expansion throughout the region has further enhanced the state's aspirations towards regional leadership.

In order to understand the politics of telecommunications liberalisation in relation to Thailand's changing political economy, several major questions relating to the major institutions, interests, ideas and their interactions need to be explored. How is telecommunications policy in Thailand made and how has the pattern changed since liberalisation? What degree of autonomy has the Thai state enjoyed in relation to societal pressures and what interests, if any, does the state represent at both the national level and in telecommunications politics? What are the major non-state institutions and interests playing active roles in society and how have they influenced state-decision-making? What are the most important ideas guiding state policy decisions and how have they shaped policy? These are the major issues to be discussed in this study in relation to the contending debates on state-society relations in Thailand that have been generated by different political economy approaches.

This chapter provides an overview of changes in telecommunications as part of the broader infrastructure developments taking place within the perspective of Thailand's changing political economy during the 1980s and early 1990s. The first part sets out the background to Thailand's economic transformations during the 1980s, from an import-substitution economy to an export-oriented one, and the increasing international integration of the Thai economy. The second part explains Thailand's infrastructure shortages following its economic transformations and its effort to correct the problems. The third part highlights telecommunications as a special kind of infrastructure commanding a high priority in government development policy. The remaining parts explain why and how infrastructure development in Thailand has turned into a political issue, and how the politicisation of telecommunications development is related to Thailand's broader political economy respectively. In Chapter Two, we will turn in greater detail to the various interpretations that have been put forward by political
scientists of the general character of the Thai political system and the influence of economic changes upon it.

1.1 Thailand's Economic Transformation

While politics in Thailand has often been regarded as unstable and the democratic features of the political system repeatedly disrupted, the Thai economy has constantly defied the sceptics and successfully shown remarkable resilience throughout the past four decades – Thailand's GDP per capita increased at the rate of 4.3 percent per annum during 1951-91 (Warr, 1993: 25). Since the introduction of the First National Economic Development Plan in 1961 up until 1985, the average annual growth of the Thai economy was at an impressive rate of 7.1 percent (Wisarn, 1989: Table 2.1). The early 1980s was actually the worst period of recession faced by Thailand since the Second World War, and its economic growth dived to the lowest level at only 3 percent in 1985. However, a turnaround came in 1986 when economic growth moved upward to 4.6 percent, before jumping to 9.7 percent in 1987, and reaching its zenith at 13.3 percent in 1988. The economic boom with double-digit growth then continued until early 1991 when the aftermath of the 1991 coup and the Persian Gulf crisis caused a serious setback to the Thai economy. Nevertheless, it was able to maintain its dynamism sufficiently to achieve annual growth rates of more than seven percent during 1991-93 (see Figure 1.1).

However, behind the high economic growth, the Thai economy experienced serious challenges and major restructurings were carried out with the intention of ensuring its continuous development. Both the boom in commodity exports as a result of agricultural expansion and the promotion of import substitution industries (ISI) by the government contributed to high economic growth during the 1960s and 1970s. In Thailand had previously experienced almost a century of stagnant economic growth. Annual growth of GDP per capita during the period 1870-1950 was merely 0.2 percent (Warr, 1993: 25). Buoyed by strong international demand for agricultural commodities, new crops like kenaf, corn, and tapioca were planted in addition to traditional products such as rice and rubber in newly cultivated land, mainly in the North and Northeast. Meanwhile, production of consumer and intermediate goods were protected behind high tariff walls, whereas capital-intensive ISI industries were given generous tax

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1 Thailand had previously experienced almost a century of stagnant economic growth. Annual growth of GDP per capita during the period 1870-1950 was merely 0.2 percent (Warr, 1993: 25).
2 Buoyed by strong international demand for agricultural commodities, new crops like kenaf, corn, and tapioca were planted in addition to traditional products such as rice and rubber in newly cultivated land, mainly in the North and Northeast. Meanwhile, production of consumer and intermediate goods were protected behind high tariff walls, whereas capital-intensive ISI industries were given generous tax
Figure 1.1: GDP Growth of Thailand


contrast, export-oriented industries (EOI) were not then on government priority lists and they even received negative tariff protection (Narongchai and Somsak, 1990). Although the investment law to promote export industries was revised as early as 1972, the incentives given were modest and ISI strategies still remained intact. The major shift in government policy occurred during the early 1980s when the economic problems accumulating since the 1970s were worsened by the worldwide recession and a slump in commodity exports.3 This grave economic downturn undermined the government's earlier reliance on commodity export strategies and the relatively easy initial phase of ISI. Also, the local market for ISI products had by then reached its limit, so export markets were needed if economic expansion was to be maintained. Export successes with manufactured products such as garments, jewellery, integrated circuits, and canned pineapple were achieved without much government support, thus demonstrating that the

privileges. During this period, the government could easily earn adequate income without taking risks of restructuring the economy so long as rapid economic growth was maintained.

3 The first oil shock of 1973-74 resulted in a sharp drop in economic growth and a surge in inflation. However, under the stimulus of strong world demand for agricultural commodities, the Thai economy was able to absorb the shock with limited impact. Not long into the economic recovery security threats (both internal and external) led the government to procure more arms. Because a large portion of the funding for these came from overseas loans, Thailand's current account deficits deteriorated just as the second oil shock hit Thailand in the late 1970s. As a result, the trade deficit rose to 7 percent of GDP during the period 1980-85 and the debt-service ratio skyrocketed to 21.9 percent of GDP in 1985 (Narongchai and Somsak, 1990: 110).
EOI strategy was a viable alternative for the nation's economy. These factors led to a new policy of supporting manufactured exports by a range of state agencies, particularly the Office of the Board of Investment (BOI) and the Ministry of Finance (MOF). This policy coincided with the rise of manufacturing industries whose share in the nation's GDP began to surpass that of agriculture in the mid-1980s. Along with this new policy emphasis, by 1986 financial austerity and other economic measures, particularly currency devaluations and control of foreign borrowings, successfully brought Thailand out of economic recession.

Favourable international conditions coupled with domestic economic adjustments were a boon for Thailand's economy during the second-half of the 1980s. The world's economic recovery and the decline in oil prices during the later half of the 1980s tremendously boosted the Thai economy and reduced its foreign debt crisis. The Plaza accord and subsequent appreciation of the yen and currencies of the East Asian Newly Industrialising Economies (NIEs) further accelerated the Thai economy as Thailand was chosen by Northeast Asian investors as a favourite site for foreign investments. The government's EOI promotion, Thailand's fast economic recovery, and its cheap labour attracted the first and second wave of investments from Japan and the Asian NIEs respectively. Direct foreign investment started to increase from US$ 263 million in 1986 to US$ 352 million in 1987, and then jumped to US$ 1,139 million in 1988 and further accelerated to US$ 2,442 million in 1990, before dropping back to US$ 1,995 million in 1991 (see Figure 1.2). This huge influx of foreign investment greatly increased the profile of overseas capital in Thailand's economy. Foreign direct investment as a percentage of Gross Fixed Capital Formation expanded from 1.3 percent during 1977-85 to 8 percent during 1986-90 (Pasuk, 1993b: Table 2). As most foreign investments were mainly in manufactured exports, the growth of Thailand's exports multiplied greatly during the later half of the 1980s.5

4 The debt service ratio as percentage of GDP was reduced from more than 21 percent in 1985 to 17 percent in 1987. Idem.
5 The annual growth of exports from Thailand between 1980-90 was as high as 13.2 percent, whereas it had been a mere 8.6 percent during the previous period of 1965-80 (Warr, 1993: Table 9).
The rapid expansion of the Thai economy and the recent acceleration of manufactured industries resulted in significant transformations of both the Thai economy and the country’s social structure. The share of agriculture in GDP slipped from 32 percent in 1965 to only 12 percent in 1990 while industry expanded from 23 to 39 percent during the same period. Most importantly, manufacturing increased from 14 percent of GDP to 26 percent while services grew from 45 to 48 percent (Warr, 1993: Table 8). As a consequence, the urban population increased from 13 percent of the total population in 1965 to 23 percent in 1990, whereas the proportion of people working in agriculture decreased from 82 to 70 percent, and those employed in industry and services rose from 18 to 30 percent (Warr, op. cit.: Table 1). The changing job structure as a result of the economic transformation has reshaped the lives of millions of people within new economic and social strata over the past four decades. By 1991, there were at least 11.8 million workers in the non-farming sector, ranging across industries and services.

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6 Warr’s estimate is not entirely accepted by some economists. According to one estimate, the proportion of the working population employed in agriculture was as low as 59.2 percent since 1985, while those working in manufacturing and services amounted to 10.9 and 11.5 percent respectively. The rest were classified as employees in mining, construction, electricity and water, commerce and transportation. See Rachain Chintayarangsan, "Thailand’s Expectation in Reaching NIC Status", in Thailand’s National Development: Social and Economic Background, ed. Suchart Prasith-rathsint (Bangkok: Thai University Research Association, 1989), Table 4.7.
and with no less than 5.4 million others serving in the bureaucracy and other white-collar professions. The high economic growth since the late 1960s, fuelled by the Vietnam War boom, and education expansion at secondary and tertiary level, substantially increased the size of the middle class both in Bangkok and provincial towns.

1.2 Physical Infrastructure as a Major Development Issue

Although a series of social and economic problems were associated with Thailand's high economic growth – income disparities, the urban-rural division, environmental degradation, and economic and social dislocation – the most acute problem mentioned in the business community was the severe infrastructure bottlenecks. From the mid-1980s onwards, the capacities of the ports, roads, telecommunications, electricity supplies, and water have been constantly clogged by insatiable demand. Industrial and export expansion, an upsurge in the construction industry, and the tourism boom during the late 1980s stretched infrastructure in Bangkok and its surrounding provinces beyond its limits, to a point where Thailand was often described as "bursting at the seams".

The infrastructure gridlock was caused primarily by two major economic reasons: the economic recession during the early 1980s and the government's underestimation of

---

7 Of the 11.83 million blue-collar workers, 3.25 million people were in manufacturing and 8.58 million in services. From the total 5.4 million white-collar workers, 1.84 million of them were employed as civil servants and the rest were in other professions. See Sungsidh Piriyarangsan, "The Workers, the Urban Poor and the May 1992", in ed. Sungsidh Piriyarangsan and Pasuk Phongpaichit, The Middle Class and Thai Democracy (Bangkok: Chulalongkorn University, 1993), pp. 326-333.

8 The middle class expanded from an estimated 178,000 people in 1960 to 284,000 in 1970. In 1986, Bangkok's middle class was estimated at 1.8 million or 31 per cent of the city's population. Also, the middle class in the provinces was calculated at 19 percent of the total population in urban areas in 1986. The middle class in Bangkok was classified as those whose a family monthly income was between 8,000-14,999 baht while those in provincial towns earned 6,000-14,999 baht. In one study, the Thai middle class is classified as those who are young (25-35 years), highly educated (BA degree), exposed to Western culture, and employed in the professions, such as managerial or technical personnel, etc. See Chai-Anan Samudavanija and Sukhumbhand Paribatra, "Thailand: Liberalization Without Democracy.", in ed. J. W. Morley, Driven by Growth: Political Change In The Asia-Pacific Region (New York: Columbia University, 1993), Table 5.5 and pp. 123-125.

9 For example, between 1980 and 1990, traffic levels in Bangkok increased by 10 percent every year and up to 16 percent annually during the early 1990s. Moreover, the waiting list for telephone lines increased to 1 million in 1992. Worse still, the production capacity of water in Bangkok amounted to 3.2 million cubic metres per day when the demand was as much as 3.6 million cubic metres. See the speech given by Dr. Amnuay Virawan, Deputy Prime Minister, at the international seminar on "Infrastructural Development Plan and Opportunities for Privatization", 23 June 1993.
economic growth during the late 1980s. The economic woes of the early 1980s manifested themselves in the rise of the balance of payments deficit to 5 percent and the debt service ratio to 26 percent of GDP in 1985. As the government budget deficit was over 5 percent of GDP and foreign exchange reserves fell to 3 percent of GDP in that year, the government was forced to seek US$ 500 million standby loan arrangements from the IMF (Warr, op. cit.: 13). Because of that economic ordeal, the government was forced to adopt austerity measures and streamlined its public expenditure during the Fifth National Economic and Social Development Plan (5th NESDP: 1982-86), resulting in a modest budget for public infrastructure investments. Therefore, government expenditure on transport and communications fell by 21 percent in 1984 and decreased a further 5 percent in 1985, before recovering by 2.5 percent in 1986. In a similar manner, public expenditure on 'energy and others' was cut by 0.7 percent in 1985 and made only a minimal gain of 1.1 percent in 1986 (see Table 1.1). As a result of a substantial cutback in government expenditure, the ratio of public to private expenditure declined rapidly from 25.7 : 74.3 percent in 1985 to only 21.7 : 78.3 percent in 1988 (Kraiyudth, 1990b: Table 6.4). Because a large proportion of public expenditure came from public enterprises, mostly responsible for infrastructure investments and public utilities, the austerity measures imposed by the cabinet curtailed direct government spending across the board and precluded public enterprises from securing overseas loans for their infrastructure projects. Henceforth public infrastructure in Thailand was developed only slightly during the mid-1980s in comparison to the higher rate of development in the late 1970s.

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10 During the late 1970s, public enterprises generated 33 percent of the public sector's financial deficit, which later increased to 39 percent in 1985. Moreover, the contribution of public enterprises to the total public debt increased constantly from 13 percent in 1975 to 30 percent in 1985. Since such debt came mainly from foreign borrowings, the debts of public enterprises amounted to as much as 60 percent of public sector foreign debt (Wisarn, 1989: 27-29).
Table 1.1: Government Expenditure on Infrastructure 1983-92

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Transport &amp; Com</th>
<th>Social Services</th>
<th>Energy &amp; Others</th>
<th>Total Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>1983</td>
<td>11,058.4</td>
<td>707.6</td>
<td>4,955.7</td>
<td>16,721.7</td>
</tr>
<tr>
<td>Increase (%)</td>
<td>2.8</td>
<td>-48.8</td>
<td>18.4</td>
<td></td>
</tr>
<tr>
<td>1984</td>
<td>9,732.2</td>
<td>419.8</td>
<td>5,812.9</td>
<td>15,955.9</td>
</tr>
<tr>
<td>Increase (%)</td>
<td>-21.1</td>
<td>-40.7</td>
<td>17.3</td>
<td></td>
</tr>
<tr>
<td>1985</td>
<td>9,229.4</td>
<td>424.5</td>
<td>5,850.8</td>
<td>15,504.7</td>
</tr>
<tr>
<td>Increase (%)</td>
<td>-5.1</td>
<td>1.1</td>
<td>0.7</td>
<td></td>
</tr>
<tr>
<td>1986</td>
<td>9,461.9</td>
<td>578.7</td>
<td>5,914.4</td>
<td>15,955.0</td>
</tr>
<tr>
<td>Increase (%)</td>
<td>2.5</td>
<td>36.3</td>
<td>1.1</td>
<td></td>
</tr>
<tr>
<td>1987</td>
<td>9,361.0</td>
<td>914.7</td>
<td>5,417.1</td>
<td>15,692.8</td>
</tr>
<tr>
<td>Increase (%)</td>
<td>2.5</td>
<td>36.3</td>
<td>1.1</td>
<td></td>
</tr>
<tr>
<td>1988</td>
<td>11,161.9</td>
<td>1,164.2</td>
<td>6,121.7</td>
<td>18,447.8</td>
</tr>
<tr>
<td>Increase (%)</td>
<td>19.2</td>
<td>27.3</td>
<td>13.0</td>
<td></td>
</tr>
<tr>
<td>1989</td>
<td>14,222.0</td>
<td>1,741.4</td>
<td>7,354.9</td>
<td>23,318.3</td>
</tr>
<tr>
<td>Increase (%)</td>
<td>27.4</td>
<td>49.6</td>
<td>20.1</td>
<td></td>
</tr>
<tr>
<td>1990</td>
<td>22,421.9</td>
<td>2,824.8</td>
<td>14,097.6</td>
<td>39,344.0</td>
</tr>
<tr>
<td>Increase (%)</td>
<td>57.7</td>
<td>62.2</td>
<td>91.7</td>
<td></td>
</tr>
<tr>
<td>1991</td>
<td>26,663.0</td>
<td>3,573.0</td>
<td>19,449.3</td>
<td>49,685.3</td>
</tr>
<tr>
<td>Increase (%)</td>
<td>18.9</td>
<td>26.5</td>
<td>38.0</td>
<td></td>
</tr>
<tr>
<td>1992</td>
<td>33,631.6</td>
<td>4,981.2</td>
<td>18,674.8</td>
<td>57,302.1</td>
</tr>
<tr>
<td>Increase (%)</td>
<td>26.2</td>
<td>39.4</td>
<td>-4.0</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>156,984.8</td>
<td>17,329.9</td>
<td>93,649.2</td>
<td>267,927.9</td>
</tr>
</tbody>
</table>

Note: Unit in million baht (US$ 1 = 25 baht)
Source: Financial Pulse, September 1992

The economic downturn during the early 1980s further influenced the future development strategy of the National Economic and Social Development Board (NESDB) and the Ministry of Finance. The Sixth NESDP (1987-91) was designed to promote a greater role for the private sector in the economy through the privatisation and improvement of public enterprises. Only 5 percent per annum GDP growth was targeted, while further reduction of public borrowing and restructuring of the tax system were to be carried out. However, the actual rate of economic growth during the first half of the plan was as high as 11.6 percent per annum due to favourable international and domestic economic conditions including, *inter alia*, an influx of foreign investment and a boom in tourism and construction. Even more striking was the growth of the industrial sector whose rate of expansion climbed by 14.9 percent annually in comparison

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11 This estimate was largely based on an actual economic growth rate of 5.4 percent during the 5th NESDP, which was far short of the earlier projection of 6.6 percent.
to a projected rate of merely 6.6 percent per year (Sompson, 1993: Table 1). As the actual economic performance so greatly outstripped the official projected figure, public infrastructure was quite unable to cope with the exploding demand. The major economic issue was no longer how to survive an economic downturn or how to attract foreign investment to boost manufactured exports, but how to relieve the infrastructure woes. Ironically, the underdeveloped state of infrastructure, caused by the government strategy of scaling down unnecessary spending in the early 1980s, had become the most serious problem undermining Thailand's prospects of economic expansion in the late 1980s.

1.3 Telecommunications Infrastructure as a Top Development Priority

While infrastructure shortages covered almost everything from water to transport, telecommunications was given a special place by the Thai government from the late 1980s on, especially under the Chatichai administration. Firstly, the increasing internationalisation of the Thai economy meant that the competitiveness and productivity of Thai business were largely determined by the world economy. As capital, production, management, markets, labour, information and technology came to be organised increasingly across national boundaries, the quality of information and efficient telecommunications services were crucial to the success of the national economy. Telephones were no longer regarded as a luxury, but instead were considered an indispensable part of the infrastructure needed to propel Thailand's economy into the future. Secondly, because telecommunications is a basic form of infrastructure linking all organisations and units of society, it was regarded as essential to alleviate the gridlock developing around other forms of infrastructure. The highly congested transport systems in Bangkok and its surrounding areas have resulted in a growing dependence on telecommunications services. Because telecommunications services require less start-up time to put in place than most infrastructures, they have commanded a high priority in the state's overall strategies to remedy infrastructure problems.

Having said that, instead of serving as a means to ease other infrastructure bottlenecks, telephone and other telecommunications services have themselves been
excessively overloaded. While the demand for basic telephone services climbed from 1.29 million lines in 1987 to more than two million lines in 1990, and accelerated further to more than three million lines in 1992, the supply of telephones only increased from around 1.25 million in 1987 to 1.68 and 2.11 million lines in 1990 and 1992 respectively (see Figure 1.3). Compared to other developing countries, the number of telephones per 100 persons in Thailand in 1987 was much lower than in many countries with a similar level of per capita income. While Thailand recorded 1.67 telephones for every 100 persons, Chile, Malaysia and Turkey had 4.64, 6.85, and 7.66 telephones respectively. Even Egypt, whose per capita income was lower than Thailand’s, still registered a better telephone service (see Table 1.2). It is estimated that the demand for basic telephone lines will double every four years throughout this decade, from about three million lines in 1992 to more than six million and twelve million lines in 1996 and 2001 (see Table 1.3). Even worse, the efficiency and reliability of telephone services have been seriously called in question, as the actual rate of successful calls (completion call rate) was merely 30 percent in 1987 (JICA, 1989).

Figure 1.3: Demand and Supply of Telephone Lines in Thailand (1987-92)

Note: Telephone line capacities and demand during 1991-92 are Crosby Estimates (1993)
Sources: TOT, NESDB, National Statistical Office, and Crosby Research

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12 The ITU source recorded the supply of telephone lines in Thailand in 1987 at 902,000 lines, which was lower than the figure given by other sources, which put the number at 1.2-1.3 million lines. Therefore, the supply of telephones in Thailand in Table 1.2 must have been lower than the 1987 figure shown in Figure 1.3. See ITU, Yearbook of Common Carrier Telecommunications Statistics (Geneva: ITU, 1989).
Table 1.2: Comparison of Telephone Statistics of Developing Countries in 1987

<table>
<thead>
<tr>
<th>Countries</th>
<th>No. of Tel. (1000)</th>
<th>No. of Tel/100 persons</th>
<th>Waiting List (1000)</th>
<th>Waiting List/Tel. Station</th>
<th>Per cap. GDP (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Algeria</td>
<td>635</td>
<td>2.70</td>
<td>457</td>
<td>0.720</td>
<td>2,527</td>
</tr>
<tr>
<td>Brazil</td>
<td>7,892</td>
<td>5.58</td>
<td>n.a.</td>
<td>n.a.</td>
<td>1,175</td>
</tr>
<tr>
<td>Chile</td>
<td>581</td>
<td>4.64</td>
<td>233</td>
<td>0.401</td>
<td>1,266</td>
</tr>
<tr>
<td>Egypt</td>
<td>1,118</td>
<td>2.15</td>
<td>1,137</td>
<td>1.017</td>
<td>602</td>
</tr>
<tr>
<td>Greece</td>
<td>3,466</td>
<td>34.73</td>
<td>1,051</td>
<td>0.303</td>
<td>4,397</td>
</tr>
<tr>
<td>India</td>
<td>3,488</td>
<td>0.45</td>
<td>1,125</td>
<td>0.323</td>
<td>261</td>
</tr>
<tr>
<td>Indonesia</td>
<td>759</td>
<td>0.44</td>
<td>417</td>
<td>0.549</td>
<td>340</td>
</tr>
<tr>
<td>Israel</td>
<td>1,594</td>
<td>3.11</td>
<td>430</td>
<td>0.270</td>
<td>3,318</td>
</tr>
<tr>
<td>Korea</td>
<td>8,625</td>
<td>20.50</td>
<td>n.a.</td>
<td>n.a.</td>
<td>2,034</td>
</tr>
<tr>
<td>Malaysia</td>
<td>1,132</td>
<td>6.85</td>
<td>85</td>
<td>0.075</td>
<td>1,472</td>
</tr>
<tr>
<td>Mexico</td>
<td>3,821</td>
<td>4.80</td>
<td>757</td>
<td>0.198</td>
<td>1,059</td>
</tr>
<tr>
<td>Pakistan</td>
<td>584</td>
<td>0.58</td>
<td>437</td>
<td>0.748</td>
<td>347</td>
</tr>
<tr>
<td>Philippines</td>
<td>478</td>
<td>0.88</td>
<td>173</td>
<td>0.362</td>
<td>401</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>1,149</td>
<td>10.64</td>
<td>76</td>
<td>0.066</td>
<td>5,251</td>
</tr>
<tr>
<td>Singapore</td>
<td>876</td>
<td>33.30</td>
<td>1</td>
<td>0.001</td>
<td>7,320</td>
</tr>
<tr>
<td>Thailand</td>
<td>902</td>
<td>1.67</td>
<td>289</td>
<td>0.32</td>
<td>784</td>
</tr>
<tr>
<td>Turkey</td>
<td>4,077</td>
<td>7.66</td>
<td>2,107</td>
<td>0.517</td>
<td>1,257</td>
</tr>
<tr>
<td>Average</td>
<td></td>
<td>14.61</td>
<td></td>
<td>0.292</td>
<td></td>
</tr>
</tbody>
</table>

Sources: ITU, Yearbook of Common Carrier Telecommunications Statistics (Geneva: ITU, 1989) and James Capel Research, 1992

Table 1.3: Telephone Demand Forecasts

<table>
<thead>
<tr>
<th>Year</th>
<th>Tel Lines</th>
<th>Tel/100 Persons</th>
<th>Bangkok : Provinces Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992</td>
<td>3,164,125</td>
<td>5.46</td>
<td>2.38: 1</td>
</tr>
<tr>
<td>1993</td>
<td>3,769,842</td>
<td>6.41</td>
<td>2.27: 1</td>
</tr>
<tr>
<td>1994</td>
<td>4,473,248</td>
<td>7.50</td>
<td>2.11: 1</td>
</tr>
<tr>
<td>1995</td>
<td>5,242,091</td>
<td>8.67</td>
<td>1.94: 1</td>
</tr>
<tr>
<td>1996</td>
<td>6,119,906</td>
<td>9.99</td>
<td>1.74: 1</td>
</tr>
<tr>
<td>1997</td>
<td>7,087,026</td>
<td>11.43</td>
<td>1.53: 1</td>
</tr>
<tr>
<td>1998</td>
<td>8,143,103</td>
<td>12.96</td>
<td>1.33: 1</td>
</tr>
<tr>
<td>1999</td>
<td>9,318,344</td>
<td>14.65</td>
<td>1.15: 1</td>
</tr>
<tr>
<td>2000</td>
<td>10,605,920</td>
<td>16.48</td>
<td>0.98: 1</td>
</tr>
<tr>
<td>2001</td>
<td>12,022,571</td>
<td>18.46</td>
<td>0.85: 1</td>
</tr>
</tbody>
</table>

Source: NECTEC, Utsahakam khamanakhom (The Communications Industry) (Bangkok: KMIT, 1992). Table 22.

The inadequacy of supplies and services in telecommunications was caused mainly by underfunding during the first half of the decade. Compared to the other ASEAN countries, Thailand's investments in telecommunications were by far the lowest.
during a similar period (except Brunei). Whilst around US$ 30 and 31 million were invested in the industry, by Thailand in 1981 and 1984, the amounts invested by Malaysia and Singapore were US$ 1,172 and 596 million, and US$ 98 and 158 million, in 1980 and 1985 respectively, and even Indonesia and the Philippines invested US$ 177 and 79 million, and US$ 876 and 1,617 million each in 1980 and 1985 (Cheah, 1991: Table 5). While the incredibly small amount of investment in Thailand was primarily conditioned by government austerity measures, it resulted also from the government's previous belief that telecommunications was neither an essential infrastructure for the people in general nor a prerequisite for economic development.

In due time, the incongruity between the increasing significance of telecommunications, both as part of Thailand's globalisation process and as a means to relieve pressure on infrastructure strains, and the alarming rate of increasing demand for telephones contributed to a reversal of the government's telecommunications policy. By allowing private participation and limited liberalisation in telephone and other telecommunications services, the Chatichai government started a process of revolution in telecommunications in Thailand. First of all, a whole range of new telecommunications services, ranging from land-based transmissions to wireless communications, entered the Thai market. Following the boom in telecommunications business, a handful of local telecommunications groups have subsequently emerged as major regional players less than a decade later. As telecommunications liberalisation has gained momentum, the role of the state in this economic sector has become one of the most important policy issues under review. At this point the politics of telecommunications liberalisation and the economics of political reform have intersected.

1.4 Infrastructure Development: A Political Agenda

As infrastructure development came to be considered the top economic priority during the second-half of the 1980s, huge amounts of capital were being injected by the public and private sectors to remedy the intensifying problems. The Sixth NESDP (1987-91) saw a jump in investment levels of 585 percent in energy over what had been committed
during the previous plan, while investment spending in transport and telecommunications leapt by 153 percent and 30 percent respectively. Even more striking were the planned investment outlays for infrastructure development in the Seventh NESDP (1992-96), during which time expenditure on telecommunications was to balloon by 247 percent to 153 billion baht, alongside 210 percent and 113 percent investment increases in transport and energy respectively. In total, infrastructure development during the Sixth NESDP required a 76 percent increase in capital over what was spent during the Fifth NESDP, while the Seventh NESDP is to boost such spending by 148 percent over its previous plan to the amount of 876 billion baht (see Table 1.4).

Table 1.4: Investment Outlays for Infrastructure Development in Thailand

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<tr>
<td></td>
<td>Outlay</td>
<td>Outlay</td>
<td>Increase</td>
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<tr>
<td>Energy</td>
<td>19.3</td>
<td>132.6</td>
<td>585 %</td>
</tr>
<tr>
<td>Telecom</td>
<td>33.9</td>
<td>44.1</td>
<td>30 %</td>
</tr>
<tr>
<td>Transport</td>
<td>53.8</td>
<td>136.0</td>
<td>153 %</td>
</tr>
<tr>
<td>Utilities</td>
<td>94.4</td>
<td>40.9</td>
<td>-57 %</td>
</tr>
<tr>
<td>Total</td>
<td>201.4</td>
<td>353.6</td>
<td>76 %</td>
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<tr>
<td></td>
<td>282.3</td>
<td>153.0</td>
<td>421.5</td>
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<tr>
<td></td>
<td>113 %</td>
<td>247 %</td>
<td>210 %</td>
</tr>
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Notes: 1. Unit in million baht  
2. The percentage increase in investment outlay during 5th NESDP is not provided because of unavailable data during 4th NESDP  
Source: The National Economic and Social development Board (NESDB)

The multiplying economic interests connected to infrastructure development turned economic issues into a major political agenda items during the Chatichai administration. Corruption scandals arising out of the privatisation of infrastructure projects were to become the most important cause leading to the eventual downfall of the government in February 1991. Numerous public infrastructure projects funded by the private sector were initiated and approved during the first two years of this government, including large mass-transit systems in Bangkok, expressways, telecommunications projects, ports, industrial estates, etc. Because many of these schemes were carried out by politicians without feasibility studies or participation by relevant bureaucratic agencies, the Chatichai government unnecessarily created the most
powerful enemy one could imagine in Thailand. On the one hand, it caused widespread resentment with bureaucratic agencies because their roles and authority associated with earlier infrastructure development were bypassed. On the other hand, public misgivings were intensified by the government’s lack of transparency, as well as incessant scandals linked to cabinet members. By late 1990, the public image of the government had sunk to an all-time low, so much so that a cabinet reshuffle designed to restore its image proved to be too little too late. The failure to restore the government’s reputation finally allowed the military to launch a coup in February 1991, with little resistance even when serious conflicts arose over the issue of Chatichai’s intervention in military transfers.

1.5 Telecommunications and Thailand’s Political Economy

While the liberalisation of telecommunications in Thailand has been marked by the politicisation of telecommunications development in the same manner as other large-scale infrastructure projects, the dual political nature of telecommunications and its place as a conduit between the domestic and regional-international economies have created a special relationship between the telecommunications sector and Thailand’s political economy. Whereas traditional powers such as the military, key bureaucratic agencies, and state enterprises have continued to play important roles in telecommunications politics, other emerging forces including political parties, new business groups, labour, and even some academics have acquired a fair share of influence in this economic sector. Because it attracted most of the political and economic interests represented in national politics, this sector of the economy has become one of the most highly politicised and controversial of all. Since the liberalisation of telecommunications in Thailand has allowed only a limited number of private participants in the basic as well as many new value-added services, those who received government concessions have been assured of handsome profits, bolstered by monopoly rights in some cases or limitations on

13 During this time, there were official pleas in the front page of some newspapers calling on the government to resign or dissolve Parliament and call a new election in order to save democracy from being undermined by corruption.
competition in others. When major new telecommunications concessions were designed during the Chatichai government, the constant lobbying and political manoeuvring by many different interests revealed how widely accessible this regime was to outside pressure. Likewise, the changing pattern of telecommunications politics thereafter reflected changes in the political regime and the government-business relationship.

The telecommunications revolution, by which the processes of liberalisation and modernisation have drawn the Thai economy into the realm of international big business and also altered Thailand's state-business relations, has coincided with broader trends towards economic liberalisation and political democratisation. The new forms of telecommunications networks and services have greatly enhanced the facilitation of information flows and the exchange of ideas, which in turn have given rise to ideas about political and economic reforms. During the May 1992 uprisings state control of information channels proved ineffective owing to the free flow of information through fax machines and mobile telephones. Satellite communication via small dishes provided easy access to information previously regulated or censored by state regulating agencies. The easy access to information and efficient telecommunications networks also meant the increasing sensitivity of the economy to political developments. As economic liberalisation is linked to some degree to political democratisation, telecommunications liberalisation has come to be considered a necessary condition for preventing any monopoly of information or ideas. Following the path of economic liberalisation and political democratisation, the issues of telecommunications politics in Thailand in the past decade have thus moved from privatisation towards limited liberalisation and later to competition.

The growing role and political influence of a pro-reform coalition, reflected in the transformation of telecommunications politics, has worked in conjunction with the revolution in telecommunications in Thailand and rapid changes in the global political economy to provide a new basis for Thailand's future regional political and economic goals. Chatichai's policy of turning Indochina into a market place and the military's
concept of *suwannaphumi* (the golden peninsular) reflect the strong desire to make
Thailand into a regional economic centre for the mainland of Southeast Asia.¹⁴ This
ambition led to Chatichai's aim of turning Thailand into the regional telecommunications
centre, an essential condition upon which many of his broader economic goals depended.
Subsequent grand designs embracing the economic hexagon combining all the countries
in Indochina, Thailand, Burma, and southern China as well as the southern triangle
stretching from Thailand to Malaysia and Indonesia, or the broader economic
cooperation made up by India, Sri Lanka, Bangladesh, Burma, and Thailand, are more or
less part of the same effort to realise such an ambition in the realm of
telecommunications. These schemes have put that sector into the limelight of Thailand's
political and economic interests.

¹⁴ On 25 January 1989, Army Chief Gen. Chavalit Yongchaiyudh floated the idea of creating an area of
prosperity combining Thailand, Burma, and Indochina. Deputy Supreme Commander Gen. Pak
Akkanibutr also emphasised the idea, which demonstrated a consensus about Thailand's new foreign
policy based on its economic achievements. See Chavalit's statement in *Far Eastern Economic Review*,
23 February 1989, p.11.
"...it seems likely that the Thai political system will continue without major changes as a relatively well-integrated and hence stable bureaucratic polity, a prismatic society in equilibrium, at a low level of industrialization and economic growth and an intermediate level of power distribution between the democratic and authoritarian extremes." (Riggs, 1966: 395)

"...the static or institutional structure of Thai politics consists of the dominant armed forces – notably the military – and the civilian administration, relying on two main sources of non bureaucratic support: the largely Chinese business community...and the Thai landowning peasantry....Non bureaucratic institutions, typical of pluralist societies, either lack political influence or are only recently emerging. In the absence of countervailing forces, apart from the parliamentary interlude, whose brief effects have usually been quickly reversed, the bureaucratic polity remains unaltered." (Girling, 1981a: 139)

"In the case of Thailand, socio-economic changes occurred under situations of semi-imposed development. In this pattern of development, political and administrative structures such as the military and the bureaucracy have been able to grow alongside the growth of the private sector. In fact, they have been able to create new institutional structures of their own or to adjust existing structures and functions to cope with pressures coming from extra-bureaucratic forces...socio-economic changes in Thailand have enabled the non-bureaucratic groups to participate more in bureaucratic politics rather than to fundamentally change the nature of the Thai political system from that of a 'bureaucratic polity' to that of a 'bourgeois polity'." (Chai-Anan, 1990c: 185-186)

"Business is now in the process of entrenching its class rule. An important part of this is to establish its political rule and prove its capacity to rule....No class can merely take hold of the existing state and use it for its own purposes. In Thailand, the bourgeoisie must now continue its active reform of the state, its apparatus, the logic of its operations, and its ideology. By its nature this process will continue to pose a threat to conservative values, the old order and institutions, and entrenched interests." (Hewison, 1992: 8-9)

"During a transitional period both the state and societal forces find themselves in shifting patterns of interdependence. The state needs legitimacy and it needs to gain economic resources from societal groups. These societal groups, in turn, need continued support from the state as they struggle for dominance in a competitive international marketplace. This dual focus – on the coexistence of a relatively strong state and the growing influence of society-based actors, as well as on their need for mutual compromise – should serve as a starting point for any inquiry into the Southeast Asian political economy." (Hawes and Liu, 1993: 659-660)
What is interesting about these extracts is that they all seem to embody something that is revealing about the Thai political system and its current changes, with the exception of Riggs' out-dated analysis. Yet Riggs, whose 'bureaucratic polity' model had given birth to a number of state-centred works on Thai political studies, including Girling (1981) and Chai-Anan (1987, 1990d, 1991), seemed entirely convincing in the 1950-60s when the military and civilian bureaucracy were politically dominant. However, the theory in which it was embedded was too rigid and inflexible in his analysis, in that the future growth of business and other social forces were totally ruled out. When extra-bureaucratic forces truly emerged, statist scholars like Girling and Chai-Anan then modified Riggs' bureaucratic polity to allow for the emergence of these forces alongside the powerful bureaucracy. Still the bureaucracy was seen as immensely powerful and growing social forces were regarded as having been coopted into the orbit of the bureaucracy. Whereas Girling stressed the absence of countervailing forces to the bureaucracy (during the late 1970s when Thailand was under authoritarian rule), Chai-Anan emphasised the special capability of Thai bureaucracy to adjust itself so as to maintain the leading role in society in spite of the rise of the private sector (which was much more apparent during the 1980s).

Although empirical evidence showing bureaucratic influence abounds, confirming Girling and Chai-Anan's thesis (i.e. military leaders were appointed as Prime Ministers and Senators, bureaucrats controlled state enterprise boards, retired bureaucrats became board directors of many private enterprises, etc.), there are similar records or incidents disputing the dominating position of the bureaucracy. For example, politicians were strongly criticised as abusing their power and manipulating government agencies at will under the Chatichai government. Moreover, the democratic regime under Chatichai was even termed by many bureaucrats as 'parliamentary authoritarian'. Also, the fast expansion of many small and medium-scale business enterprises into large conglomerates or even multi-national corporations had little to do with bureaucratic patronage. Despite the repeat of a military coup in 1991, bureaucratic dominance was, at the very least, seen as being challenged by non-bureaucratic forces. Had the bureaucracy been so successful
in coopting non-bureaucratic interests, the coup would not have taken place as the means to preserve the power of the bureaucracy. This example reveals that the co-existence of the bureaucracy and non-bureaucratic interests suggested by Chai-Anan may actually be competing powers for political domination. In comparison, the emerging power of business is endorsed by Hewison (1992), whose remarks have a prima facie appeal as a generalisation about the way class and wealth are commonly seen as related to political power. Conflicts between politicians and the bureaucracy, including the 1991 coup, can be seen as symptoms of continuing bureaucratic resistance to the rule of capitalist class and its restructuring of Thai state.

However, instead of viewing the Thai political system as being controlled predominantly by either the bureaucracy or business, this dissertation contends that state-society relations in Thailand are marked by the "shifting patterns of interdependence" between the state and societal forces and the possible coexistence of a relatively strong state alongside the growing influence of social forces, as suggested by Hawes and Liu (1993). Yet I do not agree that non-bureaucratic interests necessarily need support from the state to expand and compete. As the following chapters of this study will show, the state is not a single actor with unified interests in promoting business development; there are both conservative and progressive elements of the state. As it turns out, collaborations between business and the progressive segment of the bureaucracy are more voluntary than imperative. Moreover, the shifting patterns of interdependence are in fact the shifting coalitions of pro-reform and anti-reform interests, comprising elements of the bureaucracy both collaborating or competing with business and other non-state actors. In other words, the Thai political system is more pluralistic than previously understood and both bureaucratic and non-bureaucratic interests can be either strategic partners or hostile rivals, depending on many factors, including policy issues and the existing political regime.
In order to understand the politics of telecommunications liberalisation in relation to the broader Thai political system, it is necessary to look first at the major debates on that system and the key concepts associated with such debates on Thailand. Extensive debates on the political economy of modern Thailand began as early as the 1930s when the 1932 democratic revolution brought forth a controversial economic program drafted by Pridi Banomyong. In periods of political openness during the 1940-1950s, active political and economic writings on Thailand blossomed. Because many studies were conducted by left-wing intellectuals and radical thinkers, their works were severely suppressed after the rise of the absolutist regime under Field Marshall Sarit Thanarat in 1957. Propelled by Riggs' analysis of Thailand as a bureaucratic polity around that time, the emphasis on the role of the military and bureaucracy in the political system soon came to dominate the study of Thailand's political economy among the leading political scientists in both Chulalongkorn and Thammasat Universities. Not until 1973 did a major shift in the study of the Thai political system take place, spurred by the mass uprisings in October during which hundreds of thousand of people marched through the streets of Bangkok demanding democracy and constitutional rule. The unexpected showdown of societal forces, consisting mainly of students, the middle class, and urban working class, increased public interest in the issues raised by the newly emerging student organisations and urban-based groups alike. Notwithstanding the emergence of new spokesmen for civil society in Thailand, many scholars still maintained that the Thai bureaucracy was still the dominant force whose power had not yet significantly diminished. In other words, the increasing pluralism of society had not fundamentally transformed the basic power relations between the state and society-based forces.

During the 1980s, the progress towards democratisation in Thailand seemed to support the more liberal view that the bureaucracy (including the military) could no longer maintain its leading role in the political life of the country. Many younger

academics increasingly rejected the old statist view of the Thai political economy and replaced it with a range of society-based explanations. Meanwhile, the Riggsian view was being reinterpreted by statist scholars, with Thai politics now being referred to as 'quasi-democracy' in which the bureaucracy and pluralist elements were not necessarily contradictory. The democratic regime under Chatichai Choonhavan did not survive very long before the military coup in February 1991 abruptly brought down the government and once again brought the bureaucracy back into the forefront of politics. Statist interpretations of the political system were thus again regarded as more appropriate to the political realities of Thailand. The subsequent election and political ascendancy of Gen. Suchinda Kraprayoon and his military colleagues had some resemblance to the semi-democratic regime under Gen. Prem Tinsulanondha. However, just over a month after the Suchinda regime was formed, mass demonstrations in protest at the non-elected Prime Minister, followed by subsequent government suppression led to widespread uprisings, which eventually resulted in the fall of Suchinda and his military allies. Following the general return to democracy in 1992, 'civil society' emerged as a popular term used to underline the rising status of autonomous social forces vis-a-vis the deteriorating position of the bureaucracy. It almost seems as if the political battle between elements rooted in the state and the society in Thailand has extended into the arena of Thai political studies and the terminology used there.

To sum up, since the overthrow of the absolute authoritarian regime in 1973, the last two decades have seen a significant transformation in thinking about Thailand's political economy. The emerging civil society since then started a new quest for explanations of political changes and economic development. The strong-state, strong-

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2 The term semi-democracy is also known as demi-democracy, halfway democracy, or quasi-democracy, of which major elements contrasting to conventional democratic principles are: 1) the Prime Minister is not elected; 2) cabinet members can be both elected or non-elected politicians; 3) military officers and civil servants can hold cabinet positions while serving in the public service, 4) military officers and bureaucrats can simultaneously be appointed as senators. However, various democratic elements still exist: there are regular elections of MPs and subsequent changes of government; most cabinets consist mainly of elected MPs; and the government is responsible to parliament, as it can be removed by a vote of no confidence. See the thorough discussion of the Prem regime in Likhit Dhiravegin, Demi-democracy: The Evolution of the Thai Political System (Singapore: Times Academic Press, 1992).
The bureaucracy view of the statists has been remodelled, while different political economy perspectives – be they radical or liberal-pluralist – have emerged to contest the traditional statist views rooted in 1950-60s modernisation theory. Dialectical exchanges and extensive debates on the changing relationship between state and society during this time resulted in the revision and remodification of different ideas of political economy with elements from other schools are borrowed or shared. While some studies revealed elements supporting either statist views of the strong state or the powerful role of society, many works have shown the co-existence of both elements or evidence of a dynamic relationship. Anek's thesis on 'liberal corporatism' (1989) from the pluralist school and Chai-Anan's conception of 'the three dimensional state' (1990a) from the statist tradition, for example, acknowledged the growing influence of business and other extra-bureaucratic forces alongside the powerful bureaucracy.

To understand the politics of telecommunications liberalisation in Thailand, one needs to look into two broad related questions. How are state-society relations in the telecommunications policy-making process to be categorised? What framework or approach is most appropriate to explain these relations? These two questions help us to get a closer grip on the politics of telecommunications liberalisation and the connection with Thailand's political economy at the broader level. In this chapter, I will discuss state-society relations in telecommunications within the framework of contending interpretations of the Thai political system. In turn, the empirical evidence within this study will be thoroughly discussed in relation to the theoretical discussion in Chapters Three through Six.

While this study focuses on telecommunications liberalisation since the mid-1980s, the politics of telecommunications having been significantly transformed since then, this more or less coincides with the continuing debates on Thailand's changing political economy. At one time, the bureaucratic polity model would have been appropriate to describe the domination by the military of the telecommunications policy-making process. At another time, a pluralist perspective could be better applied to
account for the political power of politicians and business firms in telecommunications privatisation. Other ideas of political economy have similarly contributed to the fluctuation and transformation of power relations in the telecommunications policy process, complicated as it has been by the oscillation of regimes from democratic to authoritarian and back again. Not only have power relations among different actors shifted, but their interests and political agendas have also altered. Therefore, a somewhat eclectic political economy approach seems the most suitable way to explain the changes in the pattern of telecommunications in Thailand.

The first part of this chapter discusses the emergence of the bureaucratic polity concept in the study of Thai politics as a result of the expanding influence of modernisation theory in the 1960s. The second part explains the adjustment of the bureaucratic polity concept by Thai scholars in response to the emerging democracy during the 1970s, and its application to the study of telecommunications politics. The third part contrasts the bureaucratic polity model with the rise of alternative approaches – radical and liberal thinking – and the strength and the weaknesses of these approaches in explaining the pattern of telecommunications. The last part demonstrates the dynamic development of political economy concepts, their overlapping logic, and the gradual fusion of these ideas.

2.1 The Emergence of a Bureaucratic Polity

The birth of post-war statist studies of Thai politics owes much to Riggs (1966), who described Thailand as a 'bureaucratic polity'. The fundamental premise of the bureaucratic polity model is the supremacy and dominance of the bureaucracy as opposed to the insignificance or non-existence of extra-bureaucratic forces. In this kind of society, power is concentrated in the hand of the bureaucracy, in particular the military, because the state does not permit "the rise of a large number of autonomous centres of power-interest groups and political parties – outside the state apparatus itself" (Riggs: 379-380). Riggs classified the Thai political system as intermediate on a scale that measured the distribution of power ranging from democracy to totalitarianism.
Interest groups, if they ever existed, were not independent organisations, and were politically weak, acting more as agents of state officials rather than preserving their own interests. The state-business relationship was an unequal exchange in which bureaucrats determine the terms of relations and business succumbed to state control and patronage. Business people were no more than 'pariah entrepreneurs' since their existence depended on the permission of state officials, provided they contributed "to the private income of their protectors and patrons in the government." (Riggs, op. cit.: 251) In addition, a bureaucratic polity was characterised by rampant factionalism within the bureaucracy shaped by both formal and informal relations.³

Riggs' conception was fundamentally rooted in the modernisation school developed within the liberal tradition. The modernisation school assumed that there is a continuum of political and economic development, from pre-modern or traditional to modern, which can be applied to every society. As countries modernise and industrialise, traditional values and power structures will be eroded, and later displaced by an emerging social stratum and modern ideas of democracy. The middle class and new social strata will naturally de-emphasise primordial values and traditional culture at the same time as gearing social reforms toward a more democratic orientation (Girling, 1981a). The lack of democracy is portrayed as a symbol of underdevelopment, under which traditional systems have not yet been eradicated whilst modern political institutions have not yet been established. Military domination, the patronage system, rampant corruption, and weak political parties and interest groups are often cited as premodern elements in traditional societies.

³ According to Riggs (1966: 213), "Cliqués and factions consist of individuals who are often bound together by ties of friendship and long-standing acquaintance, typically reaching back to schooldays and sometimes also including kinship, frequently by marriage. Members typically hold official positions in the bureaucracy, whether military or civil. They may be in the same formal organisation, as colleagues, perhaps related as superior and subordinate. More often, however, they are friends whose 'informal' relationships cut across formal departmental lines."
Most modernisation theorists were either structural-functionalists or institutionalists. The former looked at society as a self-regulating system, similar to an organic system, whose function is geared toward system maintenance or systematic response to change. Western democracy was to be the model of development as it was seen as both functionally specific and structurally differentiated. The structural-functional approach has often been attacked because it focuses only on the social system while ignoring human behaviour. Also, it leans toward preserving law, order, and stability, whereas activities that challenge authority are regarded as disorder, decay, or crisis (Chairat, 1988). Riggs's view reflected the one dimensional view of structural-functional theory since it focused on relations between structure and function in prismatic or transitional societies. In a prismatic society like Thailand, no systemic and cooperative relationship between structure and function exists, as the bureaucracy does not perform only bureaucratic functions but extends its roles into non-bureaucratic areas. Once structural differentiation with functional specificity is established, prismatic society will progress to diffracted society. As a result, political order and stability modelled after Western-style democracy can be established. This approach sees political institutions as determining political development. Modernisation and political development mean political institutionalisation and economic development. According to Huntington (1993), economic development, political institutionalisation, and democratisation are closely related phenomena in which one affects another. Democratisation is the product of economic growth as it creates new sources of wealth and power outside the state.

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4 In G. Almond and G. B. Powell, *Comparative Politics: A Developmental Approach* (Boston: Little Brown and Co., 1966). Almond and Powell postulated that a developed political system or society was characterised by differentiation of specialised structures and a capacity for crisis management.

5 Riggs differentiates all societies into three categories: fused, prismatic, and diffracted society. Fused society is traditional society in which customary practices dominate. Diffracted societies are modern societies characterised by functional differentiation. Prismatic society is a transitional society midway between the two (Chairat, 1989).

6 Huntington (1993) developed a well-publicised term, 'the third wave', to explain current transitions from non-democratic to democratic regimes of many societies, starting from 1974. The 'wave' also involved liberalisation or partial democratisation in political systems that did not become fully democratic. Changes that brought about 'the third wave' can be summarised as follows: 1) the legitimacy problem of an authoritarian system, as opposed to the wide acceptance of democratic values; 2) economic growth and its effects upon social structures since the 1960s; 3) transformation of churches from defenders of the status quo to supporters of reform; 4) external political and economic changes; 5) the demonstration effects of liberalisation and democratisation facilitated by expanding global transportation and communication.
which significantly change social structure and values to be more compatible with democratic ideas. In societies at the middle levels of economic development, a sizeable middle class relative to the working class and peasants is confident enough to advance their interests through electoral politics and democracy. As a consequence, transformation, replacement, or transplacement of an authoritarian regime by a democratic one, became common practices among most middle-income countries from the 1970s onward. However the weakness of the institutional approach is that it focuses more on political institutions and processes than on the transformations of state-society relations and informal social groupings that actually take place. Thus, it overlooks social dynamism and changes in politics at the grass roots.

Both modernisation approaches share a unilinear view of development in which all nations follow a similar process, starting from the prismatic society and ending at a western-model democratic society. Democratic development is judged by the structural-functional differentiation of the political system and institutionalisation of extrabureaucratic interests. Other approaches may also apply a cultural perspective to explain why a society is democratically developed and why others are not. According to the cultural approach, while certain values and orientations in industrial societies make possible their political and economic development, older forms of traditions and cultural practices in less developed countries may act as hindrances to modernisation. The problems with this approach are its simplistic view of cultural determinism and ahistorical explanation of all societies, regardless of their different social organisation.

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7 This view is still shared by a number of political scientists who perceive that correlations between economic growth and political change are curvilinear. For instance, Harold Crouch and James W. Morley have argued that only at a higher level of economic growth is the balance of power tipped in favour of society to a point where democratisation materialises. "Economic growth drives social mobilization. Social mobilization drives political mobilization. Political mobilization drives regime change", explained Crouch and Morley (1993: 279). Also, they mentioned that other factors played some roles in regime change. Geographical factors such as size and regionalism, social factors like class structure, political factors such as political institutions and elite cohesion were also important elements. However, economic development as the drive for regime change was the highlight of this article.

8 According to Huntington (1993), transformation occurred when political elites initiated democratisation. Conversely, replacement occurred when opposition groups overthrew the authoritarian regime or launched actions leading to its collapse. Transplacement was a result of joint action by both the government and opposition to pursue democratisation.
Even though modernisation theories began to lose their appeal in America in the late 1960s due to their inability to account for changes in Third World politics, caused by the weaknesses already mentioned, their influence had conversely increased in Thailand as American-trained scholars such as Kramol Thongdhamachart, Suchit Bunbongkarn, Chai-Anan Samudavanija, and Likhit Dhiravegin returned home and brought back with them these theories. Because of their familiarisation with modernisation theories, Riggs' 'bureaucratic polity' was readily accepted by Thai political scientists and their students. From the late 1960s to early 1970s, Riggs' analysis had gained wide recognition, to such an extent that it virtually dominated political studies of Thailand. If any attempt had been made at this time to study the politics of the telecommunications sector, it would have seemed that the bureaucratic polity model was the most useful framework of analysis since telecommunications was one of the most regulated economic sectors over which military and civil bureaucrats had direct control.

2.2 The 'Thaiification' of a Bureaucratic Polity

The unexpected mass uprisings in 1973 marked a new era in the study of Thai political economy in which various rigid versions of theory in the tradition of Riggs were seriously challenged by the growth of more radical and pluralist views. Initially, most of the critiques of Riggs were concentrated on the existence of non-bureaucratic interests. Anderson (1977: 13-14) argued that the bourgeois and urban middle class had emerged "outside of and partially antagonistic to the old feudal-bureaucratic upperclass". In response to the pluralising trend of Thai society, a range of Thai-language 'statist' interpretations began to emerge, some of which focussed on the military, the bureaucracy, or state-business relations. While the events of 1973 led to a wider recognition of emerging extra-bureaucratic forces, Thai statists maintained that the bureaucracy still reigned supreme while social forces remained politically weak. Girling (1981a, 1981b) disputed Riggs' rigid explanation of the bureaucratic polity and accepted

9 Firstly, he argued that Riggs overstated the extent of factionalism and clique conflicts within the bureaucracy. Secondly, Riggs concentrated on elite politics while ignoring the emergence of new social
the emergence of extra-bureaucratic forces, particularly business and the middle class, but he denied that these were strong collective forces capable of challenging the presence of the bureaucracy and its dominating values. In brief, Girling depicted a modified form of the bureaucratic polity model, highlighting a pragmatic affiliation between the bureaucracy and emerging business. The view that business was still engaged in 'pariah entrepreneurship' with the state was similarly agreed upon by Trakoon (1982) and Prudhisan (1987).

Applied to the telecommunications industry, these views might have seemed persuasive up until the early 1980s when the state firmly controlled the economic sector. Unlike large foreign firms which regularly supplied switching and transmission equipment to state telecommunications agencies, small local businesses individually sought clientelistic ties with government bureaucrats to pave the way for sub-contracting activities or assisting large foreign firms to secure suppliers' deal. As a result, the Board of Directors of the Telephone Organisation of Thailand (TOT) and the Communications Authority of Thailand (CAT) were the main centres of power with which business had to live. Except for the short period under the democratic regime (1973-76), the governments of this time were largely under the influence of bureaucrats and military officers; and so were the CAT and TOT boards. Even in the early period of the Prem
administration the MOTC was controlled by appointed bureaucrats, with the TOT and CAT boards given a free hand, relatively isolated from political intervention.

The idea that the bureaucratic polity concept remained valid because the bureaucracy still dominated important state decisions was strongly supported by Chai-Anan (1987, 1989b). Applying an institutional approach in his analysis, Chai-Anan (1989b) showed that the Council of Economic Ministers (CEM), the most important policy-making body after the cabinet, was initiated by technocrats during the Prem regime to balance the increasing role of political parties. This state mechanism served as the umbrella for technocrats, particularly those from the National Economic and Social Development Board (NESDB), and assumed the leading roles in both economic policy making and monitoring, without intervention or competition from other political or bureaucratic bodies. Because the CEM was geared towards providing support and information specifically to the Prime Minister (PM), this close relationship effectively helped depoliticise most of the government agenda. As a result, technocrats and Prem's ministers virtually eclipsed the political parties in economic policy-decision at that time.

In reverse, this argument helped explain the way in which telecommunications privatisation later came to be conducted during the Chatichai government. Because of the NESDB's past influence on economic decisions, MOTC Minister Montri Pongpanich (1988-90), moved in to bypass the organisation and the cabinet in many of the privatised

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12 CEM was set up in 1983, following a similar but smaller body formed in 1980, under the chairmanship of the Prime Minister, to serve as an inner cabinet administering national economic policy and monitoring policy implementation. Initially it was intended to give advice to the cabinet and help coordinate national economic policy, but it later became powerful since all CEM resolutions were automatically endorsed by the cabinet. Chai-Anan has argued that the first committee was set up in 1980 as a bureaucratic response to the monopoly of economic policy decision-making by Deputy Prime Minister Boonchu Rojanasathien, a leading businessman-cum-politician from the Social Action Party (SAP).

13 NESDB serves as the Secretariat to CEM. Because of this status, NESDB is empowered to prepare information for CEM members, summarise CEM resolutions, and coordinate policy implementation of all state agencies concerned.

14 Also, technocrats, the PM’s advisers, and non-elected economic ministers were well informed compared to other CEM members. These people had lunch together every month, and small discussion groups were formed to consult on important issues. See Chai-Anan (1987).
projects he initiated. Whereas Prem had sought alliance with the technocrats to
counterbalance the politicians in his cabinet, Chatichai did the opposite and built up
support from elected politicians to keep bureaucratic power within bounds. In other
words, in contrast to the technocrats' extensive roles in economic policy-making and also
policy-making decisions through the CEM, the politicians who came to the fore during
the Chatichai period moved to circumvent scrutiny by technocrats by creating private-
funded projects without seeking their prior approval, provided they were given the green
light by Chatichai.

The bureaucratic domination of the Thai state is generally seen as closely
connected with the role of the military in politics. Suchit (1987a) applied the concept of
a praetorian political system, created by Huntington (1968) and Perlmutter (1977), to
explain the military's dominant position and its interventionist role in Thai politics.\(^\text{15}\)
Keyes (1989) perceived that the military was immune from pressures from society, and
that tensions between progressive technocrats and conservative bureaucrats had not yet
transformed the bureaucratic polity. Likhit (1992) emphasised that Thai politics was
largely dominated by politics within the military circle. This logic also applied to most
interpretations of the major coups and political changes since 1973.\(^\text{16}\)

The role of the military in telecommunications politics was very considerable
since many of the past MOTC Ministers and members of the TOT and CAT's Board of
Directors were former or current military officers. However, it would be misleading to
say that military dominance was ever present. By the late Prem regime, military officers
had to come to terms with politicians who were then in control of the Ministry of

\(^{15}\) Because the military could not stand civilian interference, military intervention in politics was a likely
outcome when its prestige was low and autonomy undermined.

\(^{16}\) Likhit contends that the collapse of the military regime after the 1973 uprisings was seen as a result
of factionalism within the military and personality problems of the ruling cliques, rather than a
changing balance of power in favour of the middle class. Likewise, the abortive coups in 1981 and 1985
were seen as caused mainly by conflicts within military circles, instead of a political struggle between
the state and society. "But because power politics in the military bureaucracy is so intertwined with the
democratic structure which the bureaucratic power struggle at times appears to be a power struggle in
the democratic process", it made the public believe that the real issue was a political confrontation
between political parties and the bureaucracy, according to Likhit (1992: 216).
Transport and Communications. And the Chatichai government saw high-ranking military officials in the two main boards replaced by civilians, whose agenda was to support the Minister's privatisation initiatives. It is quite right to say that the military has been a major player in telecommunications politics, but its role has waxed and waned subject to changing political regimes.

Aside from the institutional approach focusing on the bureaucracy in general and the military in particular, a number of scholars apply the modernisation school's political culture perspective to complement the 'bureaucratic polity' analysis of Thailand. Clientelism was frequently underlined as a means through which senior bureaucrats dominated state-business relations, as well as relations within the bureaucracy itself. Moreover, authoritarianism, political legitimacy, and political culture were seen as interconnected. Certainly, the pervasiveness of clientelism is no secret in state-owned enterprises (SOEs), despite rigid bureaucratic codes and regulations. However, it is too deterministic to argue that this culture alone explains the entrenched power of state bureaucrats. Instead of succumbing to the whims of bureaucrats, businessmen may gain considerable influence by engaging with them in various clientelistic networks to better control state decisions. Telecommunications politics can be one or the other, depending

17 See C. D. Neher and Bidhya Bowornwathana (1984) and Kanok Wongtrangan (1988). Neher has pointed out that the essence of Thai politics was an interplay among and within patron-client networks. He defined clientelism as a structure of personal dyadic relationships in which persons of higher socioeconomic status (patrons) used their resources and influence to provide benefits for persons of lower socioeconomic status (clients). Clients reciprocated by offering their patrons benefits and services. These relations were connected with networks and larger group structures that extended throughout society. In a less rhetorical fashion, Kanok has put forward the idea of a "dualism of value orientation" of Thai bureaucrats. On the one hand, the modern administrative system featured the structure and functions of the Thai bureaucracy. On the other hand, informal clientelism shaped the behaviour of bureaucrats. Thus, under certain circumstances, bureaucrats would follow laws and orders whereas they tended otherwise to rely on personal relations.

18 See Thinnapan Nakata and Likhit Dhiravegin (1989); Thanes Apornsuwan (1992); and Nithi Aewsriwong (1993). Thinnapan and Likhit reasoned that authoritarianism had long been sustained because of the political culture: Buddhist teachings; hierarchical relationships; emphasis on respect and obedience; the patronage system, etc. Thanes pointed out that the political culture of the state, which included unity, homogeneity, and nationalism, was the major factor rendering legitimacy to the bureaucracy. Because of its past association with national history and political culture, the bureaucracy was in a favourable position to exploit cultural symbols and reproduce its own definition of legitimacy. Nithi further explained that links between the beliefs in merit, power, and money provided the basis of authoritarianism and statism because they justified social and economic inequality.
on many factors such as political regimes and the nature of business and other participants.

Paradoxically, while statist interpretations have thrived since the 1970s as a result of the 'Thaiification' of the 'bureaucratic polity' approach and recognition of the existence of extra-bureaucratic forces, they have increasingly been faced with questions concerning the issues of state-society relations in Thailand. How could independent business and urban-based organisations emerge outside the bureaucracy when, according to Riggs, the bureaucracy would never allow this situation to happen? How could the 1973 events occur and how were state-society relations transformed? Why and how did leading businessmen assume cabinet positions from the 1970s on, if they were just pariah entrepreneurs? Is the bureaucracy a monolith unyielding to changing social demands? How do clientelism and the patronage system prevent changes in the relationships between the state and business? Can political culture be reshaped or transformed, and if so, in what way? These are some of the main questions to which statist scholars were unable to give satisfactory explanations, apart from providing evidence about the strength of the bureaucracy. On the one hand, statist scholars like Meechai and Prudhisan have applied a structural-functional approach to show that Thai business and interest groups were only weak narrow-based groupings, incapable of putting pressure upon the state. On the other hand, Chai-Anan, Sujit, Keyes and Likhit viewed the bureaucracy as the main political organisation from which the major political changes of recent years have originated. Because their rigid views of politics were centred around political institutions, anything short of institutional requirements were barely accounted for. Meanwhile, the cultural studies approach has been found too static and deterministic. While Neher, and Thinnapan and Likhit underestimated the likelihood of changes in Thai political culture, they tended to overemphasise the effect of cultural features like factionalism upon Thai politics. Individual or clique benefits were often overstated as the main rationale for political action, while other factors like class interests were left out of the picture altogether.
2.3 The Rise of Radical and Liberal Thinking

2.3.1 Radical Theories Revisited

Not only did the political openings brought about by the 1973 developments lead to a 'Thaiification' of the bureaucratic polity model, but they also unleashed a revival of radical thinking about Thai politics and society, as well as the production of a new generation of radical scholars and intellectuals on a scale previously unseen in Thailand's political and economic history. First, many pre-1957 radical works were reprinted and widely distributed among university students and intellectuals. Following the revival of Sinlapa phua chiwit, sinlapa phua prachachon19 (a polemic in favour of politically-committed art and literature), there was a deluge of Marxist writings on political and economic theories, and studies of Thailand's social transformation.20 Second, a new generation of economists emerged to challenge the established neo-classical economic theory and the past development strategies of Thailand.21 Not only did these economists produce political economy works, they also used the press to express their critical views of the state and its development policies.22 Because most of these scholars were in

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20 Most famous among writers of the literature of life were Sri Burapha, Jit Phoumisak, Intrayuth, and Seni Saowaphong. Major theoretical works were Capitalism by Supha Sirimanond, Preecha khong latthi marxist (Wisdom of Marxism) by Kulap Saipradith, and Wiwattanakan sangkhom (Social Evolution) by Deja Wattayothin. Works on Thai society were Thai keung muangkhuen (Semi-colonial Thailand) by Aran Phrommachomphu (1950), Chomna jakkawatniyom (The Face of Imperialism) by Manee Sootwan, Chomna khong saktina thai nai patchuban (The Real Face of Thai Feudalism Today) by Somsamai Srisudravarna (1957). These radical works, written mainly during the late 1940s and 1950s, were concerned with an analysis of the social formation in Thailand. They were largely influenced by classical Marxism of which a unilinear view of social change – from primitive commune to slave, feudal, capitalist, and socialist society – was widely adopted. Aran Phrommachomphu believed that Thailand since 1855 was a 'semicolonial and semifeudal system' or comprador-cum-bureaucratic capitalism. Samak Burawat (1954) had integrated Marxism, Buddhism, and Social Darwinism in his study. Somsamai Srisudravarna analysed Thai society until 1932 as being dominated by the saktina mode of production (a Thai variant of feudalism). See Craig J. Reynolds and Lysa Hong (1983) and Napaphorn Ativanichpong (1988).
22 These young economists, particularly those in the Faculty of Economics, Chulalongkorn University, included Warin Wonghamchao, Sompop Manarungsan, Preecha Hongrailert, Suphachai Manaspaibool, and Suthee Prasartset. They were later joined by Chatthip Nartsupha, Kraisak Choonhavan, Pasuk Phongpaichit, Sungsidh Piriyarangsan, Lae Dilokwiyyar, Voravidh Charoenlert, etc.
Chulalongkorn, an informal Political Economy Group was formed to express alternative views of Thai economic and social development strategies. Following many academic seminars and discussions on the Thai political economy since 1978 and the subsequent introduction of Warasan sethasat kanmuang (Journal of the Political Economy), the first of its kind in Thailand, the Political Economy Group was widely recognised as the centre-point of left-wing scholars involved in contemporary Thai political economy. Together with the growth of radical political economy thinking, progressive ideas also flourished in other academic disciplines, particularly history.

Because the re-emergence of pre-1957 radical writings occurred alongside the debut of new left-wing political economy works, Thai readers have been flooded with a wide range of radical ideas and perspectives. While the 1940-1950s writings presented the view that Thailand was either a 'semicolonial-semifeudal' society or a saktina one, the Political Economy Group was much more diverse in its ideologies and outlooks. Originally, Chatthip Nartsupha, Preecha Hongkrailert and Kraisaik Choonhavan adopted the idea that Thailand was a 'semicolonial-semifeudal' society. Later, Chatthip applied Wittfogel's Asiatic Mode of Production concept to Thailand and later moved on to focus his studies on village culture and economic self-reliance of the rural community. A number of scholars including Suthee Prasartset, Wittayakorn Chiangkool, and Preecha Hongkrailert were more oriented towards classical dependency approaches in which Thailand was perceived as being exploited by world capitalism. Starting with the semicolonial-semifeudal idea, Kraisaik soon leaned towards a more specifically class analysis of capital development in Thailand, while others were influenced by different approaches.

23 There were many studies of the changes in village communities as a result of capitalist development: Wiwatthanakan setthakitchonnabot nai pakklang khong prathesthai B.E. 2394-2475 (The Evolution of Rural Economy in the Central region of Thailand 1851-1932) by Suwit Phaitayawat; Wiwatthanakan setthakii mooban nai pakneua khong prathesthai B.E. 2394-2475 (The Evolution of Village Economy in the North of Thailand 1851-1932) by Choosith Choochat; and Setthakii moobanthai nai adeet (The Past Thai Village Economy) by Chatthip Nartsupha. Chatthip's work was well-known for its introduction of the Asiatic Mode of Production thesis in the analysis of the past economy of central Thailand. Some other new works concentrated on capitalist expansion and the development of bourgeois culture in Siam. Famous among these studies were, for example, Watthanatham kadumpee kap wannakamontratanakosin (The Bourgeois Culture and Literature in the Early Bangkok Period) by Nithi Aewsiwong, and Thailand in the Nineteenth century: Evolution of the Economy and Society by Lysa Hong. Ibid.
political economy schools like historical materialism, etc. Strong and open public readership of Marxist writings during 1973-76 made this period a renaissance of Marxist ideologies in Thailand. Moreover, active public debates on social and economic issues extended from university to schools to the print media, so much so that conventional development policy and strategies were seriously challenged and reinterpreted. This tumultuous period, therefore, contributed significantly to intellectual discovery among the educated population to an unprecedented degree in the 1970-80s. Yet, the coup in October 1976 and the subsequent authoritarian regime also disrupted the processes of civil society development and the intellectual renaissance very severely. As a result, a handful of leading activists, radical thinkers, and students fled to the jungle and joined the Communist Party of Thailand (CPT).

The change of fate of these young intellectuals was crucial to another phase of readjustment of radical thinking during the 1980s. Ideological and personal conflicts between this idealistic, educated group and the Maoist-dominated CPT’s rank and file during the 1970s, in conjunction with the government’s amnesty program from 1980 on, brought about the return of these members of the intelligentsia, equipped now with modified political convictions. A number of them later pursued careers in journalism, academia, business, and politics. The renewed association of these radical thinkers with the urban masses and political and business elites, and their advantageous new position to shape public opinion, had wide-ranging political and social consequences. Certainly, the changing and shifting in political ideas and attitudes of these radical (or former radical) intellectuals and their active interactions with other social elements in effect have given birth to an array of political economy studies on contemporary Thailand.

24 These conflicts led to the rejection of categorisation of Thailand as a ‘semicolonial-semifeudal’ society and Maoist writings. Songchai na Yala, “Panhakansueksa vitheekanpalit khongthai annueng majak tritsadee kuengmurangkhun-kuengsaktina” (The Problem of Study on Thailand’s Semi-colonial, Semi-Feudal Mode of Production), Warasan setthasat kanmuang (Journal of the Political Economy), March-April 1981, argued that the capitalist mode of production began as early as 1947 when Field Marshal Pibulsongkram became the Prime Minister; Songchai’s debut marked the beginning of the belief that Thailand was a capitalist society.

25 Kasian (1992) noted that the new generation of radical intellectuals were well-placed to influence public opinion compared with the post-war radical thinkers, whose influence was limited to developing close, interpenetrative and transpositional relationships with political and business leaders.
A number of radical intellectuals closely pursued the dependency approach, which had gained popularity during the 1970s, to analyse capitalist development in Thailand. Suthee (1980, 1990, 1991) and Krit (1982) led pioneering studies on dependent capitalist development in Thailand, following by Yoshihara (1988). These scholars perceived local capital as insignificant, or subservient to international capital, which includes international organisations like the World Bank and transnational corporations (TNCs). Suthee (1980) argued that industrial capital in Thailand was merely 'industrial comprador' capital, due to its slight bargaining power and dependence on TNCs, especially the Japanese. His works in 1990 and 1991 reaffirmed the structural dependency of the Thai economy under the centre-periphery framework. In a similar fashion, Krit characterised the Thai state as a comprador state, conditioned by capitalist ideology which promoted capitalism at the same time as combating communism in Indochina. The Japanese scholar Yoshihara (1988) also depicted Southeast Asian and Thai capital in much the same way as just 'ersatz capital', wholly dependent upon foreign capital and technology. Under the present system, "it would be impossible for them (Southeast Asian capitalists) to become technologically independent...Their technological dependency is not temporary but, being structural, semi-permanent" (Yoshihara, op. cit.: 112). Since the dependency approach lost its shining after Thailand's economic boom in

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26 These works were influenced to a certain extent by Andre Gunder Frank (1969) and Wallerstein (1974), who explained capitalism as a system of unequal exchange of profits among the core, its periphery, and semiperiphery. The dependency approach explains that the world is hierarchically designed by transnational corporations (TNCs) in core countries to engage in a system of production, from which economic surplus is transferred from the underdeveloped countries to the developed world through the operation of the market and state mechanisms. The state and local elites are compradors of capital from the core economies who promote local capital accumulation and surplus appropriation for the benefits of TNCs.

27 Under this view, capitalist dependent development, which benefited a small number of privileged local groups and TNCs, led to an external dependence on trade, capital, technology, and markets. Although most foreign investment was in the form of joint ventures, foreign control of trademarks and markets resulted in the dominance of international capital over the local one.

28 Local businessmen such as Boonchu Rojanasathien, who was also a former Deputy Prime Minister in 1975-76, were seen as personal lobbyists of TNCs working to promote foreign investment. As a result, economic dependence intensified, ranging from foreign capital, goods, and technology.

29 Four features were cited by Yoshihara as making Southeast Asian capital 'ersatz capital': first, local business was mainly involved in the tertiary sector of the domestic market; second, local capitalists were mainly ethnic Chinese; third, many local businessmen were rent-seekers who needed protection from political leaders; and fourth, there was little basis for technological development, as quick profit-making and speculation dominated the local economy.
the late 1980s, Yoshihara’s work released in 1988 did not draw much attention among Thai intellectuals.

Though the international context of the Thai economy is taken into account by dependency scholars to fill the vacuum left by statist and pluralist writings, their classical dependency analyses leaned towards overemphasising the external factors while ignoring the historical background to Thailand’s political and economic development. Both the state and local capitalist class were not important subjects for study by dependency scholars because of the presumption of their minor roles and influence vis-a-vis those of international capital. It was true that European and Japanese TNCs dominated the Thai telecommunications business up until the mid-1980s as suppliers and contractors to the state. However, the state was the source of real power which determined how foreign firms would be allowed to benefit from the closed market. Moreover, because of their rigid logic under which the economic surplus from the peripheries was to be siphoned off to the developed economies, these scholars could not explain the growth and graduation of many Thai businesses from small commercial capital into industrial conglomerates competing with foreign TNCs in and outside of Thailand. Also, the decreasing influence of the World Bank and International Monetary Funds in macro-economic policy making in Thailand since the mid-1980s, runs counter to the forecasts of permanent or semi-permanent structural dependency as prescribed by Suthee and Krit.

Another variant of contemporary radical writings applied class analysis to study the local bourgeois class following the visible emergence of large independent Thai business groups. Class-based studies were aimed at countering the dependency approach, which largely ignored the economic maturity and political independence of the local bourgeoisie. According to this class analysis, not only is local capital independent

30 For example, Telecom Holding (owned by the Charoen Pokphand Group), Shinnawatra Computer & Communications, Samart Telecom, and Jasmine Group are the leading Thai telecommunications groups investing overseas. Also, Ban Pu Coal, Unicord, M Thai Group, the Manager Group, Ital Thai, the Dusit Thani Hotel Group, and Thai Roong Reung are some of the major companies engaged in overseas investments ranging from coal mining to publishing.
from foreign dominance, but it is also able to secure partnership with the state in economic policy-making. Apart from rejecting the central logic of the core-periphery relationship, class analysis rule out the statist view of state autonomy as well as the pluralist notion of a non-partisan state. Attention is paid to the alliances formed between capital and the state in the process of capital accumulation. These scholars emphasise the role of the state in converting class interests into state policy to speed up capital accumulation and the transformation of class structures. Economic development and industrialisation are state policies pursued to serve the interests of business and the state at the expense of people in the lower economic strata.

The leading scholars promoting the ideas of alliance between the capitalist class and the state were Kraisak (1984), Suraphol (1987) and Hewison (1986, 1987, 1989). Kraisak and Suraphol rejected the idea that the Thai state was a comprador state by proposing that it was mainly concerned with advancing the interests of Thai capital. In Their view, Thai capital was economically strong and dominant; the Crown Property Bureau, for example, was one of the largest business conglomerates in the country.31 As business was growing, it began to ally increasingly with the technocrats in place of the military as the new political leaders. In a study on agro-industry focusing on the sugar industry, Hewison (1986) asserted the dominant position of Thai agrarian capital over sugar policy. Despite state intervention to mediate disputes among exporters, millers, and planters, state policy never seriously challenged the oligopoly over the industry. Moreover, in a study on the government policy shift from import-substitution to export oriented industries, Hewison (1987) stressed the role of domestic industrial and banking capital in pressing for an ISI policy during the 1960s, and the role of corporate groups or big capital in demanding an export orientation from 1969 on. In sum, government

31 Kraisak showed that the physical capital formation of Thai capital was more than 65 percent since 1957 (Table 1: 97/1), and its assets in the manufacturing sector were 62 percent of total ventures in 1980. If all economic sectors are calculated, Thai capital controlled 86 percent of all business in 1980 (Table 2: 98/1). The Crown Property Bureau has been involved in trade, tourism, manufacturing, construction, transport, and banking businesses.
economic policies were seen as essentially designed to serve the interests of the large capitalist class and its allies.

In his 1989 *Bankers and Bureaucrats: Capital and the Role of the State in Thailand*, the most comprehensive study of the Thai capitalist class, Hewison argued that a state-business alliance led to the identification of business interests as national interests. Therefore, state policy had been directed to serving the interests of capital in general, and those of financial capital in particular. In addition to stressing the dominance of domestic capital in key economic sectors, he argued that the promotion of the EOI strategy reflected the emerging power and international character of big capital, particularly in banking and industry. Although the state mechanism was relatively free from business control, business influence was exercised through connections between capital and political-bureaucratic groups, interlocking shareholdings, family connections, and semi-institutional relations.

These class studies help to explain the rising power of business, both politically and economically, as well as to identify the intensifying problems of social and economic disparities in Thailand. They may partly answer questions about how local business was able to advance its interests by persuading the state to privatise and liberalise certain telecommunications services. From the case studies in following chapters, we will find that local firms received state support in competing with foreign operators after privatisation began to occur in the late 1980s. The state's policy effectively accelerated the capital accumulation of favoured local telecommunications groups to the extent that some firms emerged as multi-billion dollar enterprises in less than a decade. However, despite its explanatory power, the class analysis still has some weaknesses. While conflicts of interest between different classes are emphasised, internal rivalries and friction within the business elite are mostly ignored. In fact, the progress of telecommunications liberalisation can be attributed largely to conflicts and competition between various state agencies in alliance with different business groups. Conversely, there are elements unique to Thai society that transcend class antagonism. As an
example, the monarchy has principally performed a non-economic function of uniting all groups and classes in society.\textsuperscript{32} Most importantly, state autonomy and its internal structure tend to be significantly downplayed by these class studies; the difference in government regimes is of minor concern to them in their treatment of state-society relations, since state policy is seen as consistently geared towards capital accumulation. As a consequence, institutions linking business and the state are overlooked, since their relations are already explained by the logic of class interests. The neglect of these aspects has precluded class analysis from providing us with a fuller understanding of how business and other interests have influenced the state. Finally, the pluralisation of society and rising power of rural groups outside of business were not discussed by these earlier class studies. These weaknesses help explain why pluralist studies have gained considerable popularity during the 1980s.

\textbf{2.3.2 The Rise of Liberal-Pluralist Ideas}

In parallel with the re-emergence of radical writings on Thailand's political economy since 1973, there has been an influx of liberal-pluralist studies directing attention to the changing pattern of state-business relations. In this approach, business was seen as the most active social force challenging the authority of the state in the 1980s. Prizzia (1985), Pisan (1986), and Mackie (1988) pointed out that Thailand had moved away from the bureaucratic polity. As Prizzia broadly argued, liberalising trends since the 1970s marked the transition\textsuperscript{33}, while Pisan added that businessmen were no longer 'pariah entrepreneurs' and that the role of non-bureaucratic forces like labour was significantly upgraded and institutionalised. Mackie argued that Thailand had been moving towards a more diversified and pluralistic society since the 1970s. In other words, the Thai state was no longer insulated from societal pressure, both because of the

\textsuperscript{32} Despite its extensive business interests through joint shareholdings, the Crown Property Bureau is in fact administered by non-royal members, and a large part of the income is used to support royal projects and foundations. Also, the monarchy has been greatly involved with rural development programs such as small irrigation projects and job creation for farmers.

\textsuperscript{33} He concluded that three liberalising trends – bureaucratic reform, emergence of social forces, and domestic and foreign policy changes – were the major factors in Thailand's transition.
growing influence of the middle class and big business and the greater opportunities for social mobility.

The most extensive work on government-business relations to seriously challenge the bureaucratic polity model was Anek Laothamatas's study of the Joint Public-Private Consultative Committee (JPPCC) in 1989. This study put up the argument that business was not only the strongest social force, but that it also shared power equally with the state in economic policy-making. Because peak business associations were relatively autonomous of state control, the state-business relationship within the JPPCC was not 'corporatism' as the statists had believed, but was more appropriately termed 'liberal corporatism'.

Anek denied that business was just being coopted into a state body to serve state purposes. On the contrary, business was able to initiate, transform, or block major policies or government regulations to further its own interests. By and large, the JPPCC was characterised by "a two-way direction of influence between the government and business", and state-business relations were seen as balanced, close, and mutually

34 Liberal corporatism is reflected in a high degree of autonomy of groups or organisations in the creation and operation of their representative associations and systems of state-social group interest mediation. It was corporatist because: the JPPCC was created by the government; only a few peak associations were permitted; the government was capable of acting autonomously in most cases; and the role of business was excluded from critical financial decisions. Meanwhile, it was liberal because: membership in business associations is by choice; business associations had other channels for making contacts with the government; and business associations were not coercive organisations and did not impose rules on their members (Anek: 1989).

35 While statist scholars argued that the JPPCC was the means which bureaucrats used to coopt business interests, Sunetra (1992) found that JPPCC was in fact pushed especially by Thavorn Pornprapha, a leading figure in the Federation of Industries, and other businessmen in the hope of emulating the Japanese Kaidanren. Following Thavorn's consultation with Prime Minister Kriangsak Chamanand, the Joint Public-Private Committee, chaired by a Deputy Prime Minister, was formed in the late 1970s. The failure of that committee urged technocrats and businessmen, whose ideas were then converging to restructure a new committee that later became the JPPCC. Following Thavorn's request based on personal relations with Cham Manutham, Prime Minister Prem's close friend and a Minister attached to the Prime Minister's Office, the latter persuaded Prem to agree to the idea. As a result, the JPPCC was established with Prem acting as chairman.

36 Anek's examples of the business role in JPPCC included the policy shift of the government toward an export-oriented strategy in the 1980s, encouragement of a government leadership role in provincial development, the shaping of economic policy and legislative measures, and improvement of business conditions for commercial and industrial interests.
supportive (Anek, 1989: 296). Drawing his conclusions about the JPPCC experiences, Anek argued that Thailand was no longer a bureaucratic polity.37

Government-business relations are now increasingly perceived by pluralist scholars as political manoeuvrings among bureaucrats, business and political parties (Pasuk, 1989; Anek, 1989, 1991b, 1992b; MacIntyre, 1990). Anek explained how Prem and the government's technocrats balanced the interests of, and withstood pressures from, organised business, political parties, and the military.38 While admitting that technocrats still retained considerable independence in financial and monetary policies, Pasuk held that certain business sectors like agro-industries and textiles had joined forces with other technocrats to pressure the government for economic policy reform.39 In contrast, the military was allied with ISI-oriented business groups to oppose government economic adjustment programs. Although business pressure alone was not powerful enough to supplant the ISI policy with EOI strategies, its role in reducing opposition to such policies and corresponding business adjustments was crucial to the successful transformation.40 In another development of this approach, MacIntyre asserted that the open involvement of business in the process of developing economic policy was an

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37 Yet instead of viewing the strength of business as implying weakness of the bureaucracy, Anek admitted that both forces could be strong and autonomous of any domination by the other.

38 The JPPCC was an important mechanism behind the success of the structural adjustment programs because of its role in articulating business interests as well as defusing potential business opposition to the government. The discussion of key stabilisation measures in the JPPCC, such as the credit squeeze, enabled business to have an "unprecedented level of institutionalised access and influence in the policy-making process..." (Anek, 1992b: 44) Meanwhile, the political parties were kept in check as their interest in supporting the Prem regime outweighed the costs incurred by the austerity measures proposed by technocrats. Due to Prem's ability to overcome several coup attempts and his commitment to greater democratisation, the political parties had no better alternative than backing Prem to sustain the process of political reform. In addition, support from the monarchy was crucial in helping Prem to deter military threats.

39 Pasuk explained that financial and monetary policies were controlled by a few government agencies. The Bank of Thailand (BOT) was powerful in formulation and implementation of monetary policy such as the exchange rate and interest rate adjustments. The Ministry of Finance, the central bank, and the Bureau of Budget determined the government budget and levels of budget deficit. These three agencies were responsible for the austerity measures implemented during the mid-1980s, including three devaluations of the baht, the credit squeeze, and tax and tariff adjustments. On export promotion, the Ministry was responsible for tax and tariff reviews, while the Board of Investment and BOT provided tax privileges and credits respectively.

40 On the one hand, Pasuk was careful not to overestimate the role of business in policy areas dominated by the bureaucracy. On the other hand, she pointed out that even the areas tightly controlled by the most powerful technocrats were no longer immune from business pressure.
important step toward the transformation of state-society relations.\(^{41}\) As Anek focused on the JPPCC as the ultimate channel for business influence, MacIntyre regarded the JPPCC as only one among many access points between business and the state.\(^{42}\)

The flourishing of liberal studies on state-business relations has encouraged a number of key sectoral studies to provide more concrete views of the roles of business as well as other social forces. A study of sugar policy by Ramsay (1987) found that important players in the sugar policy were not the state, but planters' associations, millers, and bankers.\(^{43}\) Doner's 1991 and 1992 works on automobile industries in Thailand and the other ASEAN countries revealed a less pluralistic view than Ramsay's study, but it was by no means close to the bureaucratic polity model.\(^{44}\) He proposed the idea of a 'growth coalition' characterised by a relatively equal distribution of power among economic elites; an efficient rather than dominant state; a well-organised private sector; and well-established institutionalisation of state-business relations.\(^{45}\) In his view, Thailand's growth coalition was one in which the state component was not immune from

\(^{41}\) JPPCC was seen as symbolic of "the striking growth in the political influence of organised business in Thailand and the long-term shift in the balance between the state and business sector" while business associations became "autonomous political actors with a capacity for independent impact upon the formation of policy and the taking of key decisions by state officials." (MacIntyre, 1990: 31-32) In this paper, MacIntyre built up his argument mostly from secondary sources, including many of Anek's writings. However, his interpretation of state-business relations further advanced the issue from one focussed on business autonomy to the ascending power of business.

\(^{42}\) The reduced role of JPPCC during the Chatichai government was inferred to be the result of "a more fluid and diversified pattern of relations between business and the state", rather than a decrease in business importance. Conversely, political parties and parliamentary committees had turned into meaningful bodies that could be of use to the business lobby (MacIntyre, op. cit.: 34).

\(^{43}\) An important point was the powerful role of well-organised sugarcane farmers in forcing the government to maintain the price of sugar above that of the world market. Ramsay gave three major reasons why the farmers' associations were so well organised: a small number of large land holders; concentration of sugar plantations in only four provinces; and an industrial structure under which a small number of quota holders operated. Moreover, major struggles within the planters' and millers' associations, and conflicts among state agencies over sugar policy, had resulted in shifting coalitions among the competing factions.

\(^{44}\) Doner (1992) explained that, on the one hand, equal distribution of power among organisations and groups in society helped influence the state to respond to demands of businesses. On the other hand, the lack of any one dominant political power enabled the civil bureaucracy to maintain its independence and competence, despite intervention from political interests.

\(^{45}\) Doner (1992: 218) explained the 'growth coalition' as follows: "Here the state is activist but far from hard and autonomous. Its ability to take the initiative derives in part from the high level of competition among local business interests, and its impact on the economy involves prolonged negotiations with organized private groups, rather than any skilful mix of incentives and harsh authority. This is a 'growth coalition' reliant on initiative from below...."
elite pressures; state-business relations were now carried out under the process of collaboration and consultation termed 'concertation'. These macro and micro-level pluralist studies opened a new horizon of political economy debates from which broader interest in societal groupings has originated.

There have been many examples of telecommunications business firms pressuring state agencies to relinquish tight control of certain value-added services and to streamline their regulatory practices. Starting from the late Prem government, the permission for the creation of privately-operated paging services was mainly brought about by political intervention following the lobbying of politicians by business. The state's major decision to allow private investment and operation of basic telephone services during the Chatichai government would have been quite inconceivable to TOT bureaucrats at the time. Likewise, the discrepancy in the service provision and revenue-sharing of certain projects like data communications and mobile telephones was corrected under the Chuan government after intense lobbying by disadvantaged private operators.

Although these pluralist studies have provided logical explanations for the rising political influence of business, there are important weaknesses associated with their views about the state. The line drawn between business and the state is sometimes too clear-cut. Anek and MacIntyre, for example, viewed state-business relations merely in terms of institutional connections, without much regard for the policies at issue; business associations represented business interests and the JPPCC framework provided the forum for state-business relations. This institutional-oriented perspective makes the telecommunications industry appear weak or seemingly unsettled because of its lack of organisational channels. Actually, telecommunications firms have employed various means through all sorts of channels to advance their business interests, including direct contacts with the Minister, or directors of state agencies, as well as building up support

46 Similar to 'liberal corporatism', concertation emphasised negotiation and collaboration between public authorities and an organised private sector. But concertation was applied to different levels of state-society relations, particularly at the sectoral economic level (Doner, 1991).
from politicians, academics and technocrats. Also, it is problematic to sharply distinguish members of the political and business elites; leading businessmen like Boonchu Rojanasathien, Ob Vasurat, Pramarn Adireksan, and Amnuay Virawan were active in business associations, but also served as leading politicians in the cabinet. Conversely, key technocrats such as Anand Panyarachun, Nukul Prachuabmoh and Supachai Panichpakdi resigned from the bureaucracy and entered the world of corporate business to assume top executive positions. As a result, the political attitudes and interests of these elites are not necessarily determined by their current institutional attributes.

Another contentious issue lies in the fact that while the state combines many different bureaucratic agencies whose interests may or may not coincide, some of these pluralist works have tended to interpret the cooperation between technocrats and businessmen in only one direction, as a clear sign of dominant business influence. As Pasuk differentiated technocrats from other bureaucrats by viewing them as business allies, she ignored the possibility that the technocrats themselves might have mobilised business interests to bolster their own position. It is often difficult to say who leads whom when the interests of bureaucrats (or technocrats) and businessmen are aligned. Telecommunications politics during the mid-1980s clearly illustrates this ambiguity. Technocrats from the NESDB and the Ministry of Transport and Communications agreed to privatise the industry as well as business, but because business demand was then limited to obtain concessions from the state in a monopoly market, whereas the technocrats were aiming for vastly increased liberalisation and deregulation also, their agendas were by no means the same. The fact that their immediate strategies were blended — limited privatisation and later limited liberalisation — did not necessarily mean that each was not pursuing its own objectives.
2.4 Eclecticism and The Fusion of Ideas

The burgeoning of society-based political economy studies during the 1970s and 1980s, which directly contested the dominant position of statist approaches, have stimulated the modification and readjustment of ideas across different political economy schools. The attacks by pluralist and class studies forced the statist scholars to modify their logic and borrow various pluralist elements to rectify the increasing irrelevance of their analysis. Following the class-based critique of the ahistorical and inapplicable character of classical dependency writings, a group of radical intellectuals reformulated the old concept to combine various elements from the different approaches in order to explain the industrialisation of the regions formerly regarded as peripheries and semi-peripheries. Meanwhile, class-based studies have urged the pluralist scholars to differentiate those business groups which have political and economic power from those which do not. In exchange, recent class analysts have also applied pluralist ideas to the discussion of the existence of non-business societal interests. In effect, eclecticism and the fusion of ideas have become common phenomena among political economy studies since the late 1980s and early 1990s. As different approaches increasingly overlap and political ideas are shifted and readjusted, it seems that a process of convergence among political economy ideas is in the making.

2.4.1 From a Bureaucratic Polity to the Three Dimensional State

A major revision of the statist approach occurred in the late 1980s when Chai-Anan put forward the concept of 'the three dimensional state' to explain the persistence of bureaucratic power in an increasingly pluralistic Thailand. According to this concept, the Thai state has a special quality for adjusting to the changing political economy, by creating new institutional structures to cope with the increasing influence of extra-bureaucratic forces. The success of the state in maintaining its dominant role is due to the performance of three main functions: those related to security, development, and popular participation. The experiences gained during the political struggle against communism provided the basis for the state's shift in emphasis from the security
dimension to the developmental and popular dimensions, at the time as the middle class and business were emerging as important forces in society. As the security dimension came to be more and more de-emphasised, the Thai state expanded its institutional structures and roles to cope with new development projects, as well as demands for participation by various interest groups. The democratisation that occurred during the Prem regime was designed to institutionalise a form of semi-democracy by absorbing the middle class closer to the political structure. Moreover, state mechanisms like the JPPCC were created as a major venue for state-business relations (Chai-Anan, 1990a, 1990b, 1990c). By providing an alternative channel of high-level communication, business was expected to refrain from building up a political base through political parties to advance its interests. In addition, the JPPCC served as a safety valve to reduce conflict or tensions between the military, the technocratic elite, and the business community. Hence, by focusing on development, the state was able to extend its new role, whilst limiting the dimensions of popular participation to a manageable level.

Participation was substantially enhanced during the Chatichai administration, when provincial business, labour, farmers, and non-governmental organisations (NGO) were also made allies to the regime. Despite the bureaucracy's successful adjustments in the past, Chatichai's advances on the dimension of popular participation went far beyond its comprehension (Chai-Anan, 1990c). By differentiating the technocrats as progressive elements within the bureaucracy, Chai-Anan argued that liberalisation in Thailand was the product of an alliance between the technocrats and activist political

47 The security dimension is defined by Chai-Anan (1991) as coercive power to ensure security both domestically and against external aggression. As challenges from communism were regarded as multifaceted, including political and economic issues as well as military threats, the development dimension later became the new rationale to be combined with the security dimension in the war against communism. The expanding role of the state in the development dimension allows state institutions like the Monarchy, Sangha, and bureaucratic agencies to assume these new roles. However, the participatory dimension was not promoted to the same extent as the development dimension.

48 "For them (businessmen) access to, rather than possession of political power is a precondition for the accumulation of wealth. In this sense the relationship between politics and economics is essentially one of exchange, rather than one involving the transfer of power from the economy to the polity", argued Chai-Anan and Sukhumbhand (1993: 136)

49 However, the bureaucracy reacted by launching the 1991 coup when the popularity of the government plummeted following corruption scandals that involved many large-scale infrastructure projects. Therefore, the participation process was disrupted.
groups (intellectuals, labour, farmers, business, and reform-minded military groups) to counter the more conservative bureaucratic elements. The increasing importance of the technocratic arm of the bureaucracy was highlighted when the military seemed to lose its domative position. Therefore, Thailand was becoming, in effect, a 'liberal technocratic state' (Chai-Anan, 1990c, 1991; Chai-Anan and Sukhumbhand, 1993). 50

This reinterpretation of the Thai state has significantly modified the former statist view of politics, enabling Chai-Anan to better explain recent political changes. Chai-Anan's conception of the three-dimensional state, in particular his idea of Thailand as a liberal technocratic state, has gained wide acceptance among the older generation of economists, particularly those in Thammasat University. 51 Chai-Anan's concept of a three-dimensional state basically helps to correct some of the critiques directed against

50 According to Chai-Anan and Sukhumbhand (1993), the liberal technocratic state is not the same as the democratic state because economic liberalisation does not necessarily bring about democratisation. On the issue of the civilian-military relationship, political liberalisation in three main areas has proceeded through: first, military acceptance of popular participation and increasing role of technocrats; second, the strengthening of political parties and growing pluralism in society; and last, the increasing importance of the monarchy as a counterbalance to the military. (Throughout the 1980s, there were quite a few interventions by the monarchy to restrain military actions, which would have overthrown the government or caused political crises: the 1981 coup; the release of two Young Turks in September 1984; the baht devaluation crisis in November 1981; and the 1985 coup). On the first issue of civilian-military relationship, the military organisation is still unchanged; its processes of recruitment, training, promotion, discipline, and monopoly of instruments of violence are virtually untouched. "Continuity in terms of organisational, structure and functions means continuity in terms of ideas and beliefs", noted Chai-Anan and Sukhumbhand (op. cit.: 132). On the latter issue, Thai political parties are not mass-based organisations and they are badly mobilised at grass-roots level. On the issue of government-business relations, the cooptation of the private sector by the state, particularly through the JPPCC, has served many purposes for the technocratic state. Not only has it strengthened the basis for an alliance between technocrats and business elites, but the JPPCC also has been used to put pressure on the bureaucracy for economic reform. As the technocratic state shifted its functions from control to supervision and facilitation, the process of cooptation has strengthened its capacities because the private sector has become a source of "information, expertise, and ultimately legitimacy" (Ibid: 136).

51 Many studies have indeed confirmed the leading role of technocrats in macro-economic policy making. See Rangsan Thanapomphan (1989); Manoot Watanakomen (1989); and Medhi Krongkaew (1993). While accepting the increasing influence of business since 1973, Rangsan (1989) still regarded Thailand as a bureaucratic polity, as shown by the technocrats' overpowering role during the period of implementation of austerity measures in the mid-1980s, and the implementation of the Eastern Seaboard Development Program (ESB). Broadly speaking, the bureaucracy was able to maintain its control over macro-economic policy making. Manoot (1989) confirmed the powerful role of the NESDB in the Joint Public-Private Consultative Committee. His research could not find any contradiction between the board's positions and the committee's policy outcomes. Following in Rangsan's tradition, Medhi (1993) demonstrated that bureaucrats, particularly technocrats, remained the most important actors in both macro- and micro-economic policy-making. Medhi found that down to micro-level of analysis the role of bureaucratic technocrats was crucial in many economic areas, including privatisation policy, the automobile industry, the sugar policy, and the cassava policy.
the old 'bureaucratic polity' model by shifting the state-centric focus to state-society relations as reflected in the new emphasis on economic development and popular participation.\textsuperscript{52} This model opens an avenue for the acceptance of the presence of extra-bureaucratic forces and the co-existence of these forces with the supposedly still powerful bureaucracy. However, it is still not clear to what extent the state can accommodate such changes, and still continue to set limits to which it can adjust its institutional structures and roles. It is a very contentious issue whether the state has been launching a preemptive adjustment of its roles and functions, or just reacting to the push and pull of competing forces. To some degree, the continuous adjustments by state bureaucracy for its own survival begin to sound like a systems-maintenance mechanism underpinning the old structural-functional approach.

Whether telecommunications liberalisation became possible because of the technocrats' proactive decision to create new roles for themselves or because it was simply a natural response to increasing business demands remains a matter for further investigations in our case studies. Technocrats in both the NESDB and the Ministry of Transport and Communications have played significant roles in both bringing about telecommunications privatisation and moving to liberalise or deregulate the industry. These reform-minded technocrats have certainly had the broader goal of turning Thailand into a subregional economic powerhouse for which telecommunications development was a prerequisite. This idea may or may not be part of an ultimate aim of maintaining their future bureaucratic power; it can be interpreted in either way, depending on various additional factors, such as the expected roles of the technocrats and the private sector, the institutionalisation of state-business relations, and so on. Because of the convergence of business and technocratic interests to reform the telecommunications

\textsuperscript{52} Firstly, the model includes ideology and rationale of state and strategic groups, and relations between the state and those groups. Secondly, the state is not clearly defined, but it has many functions reflected in the three dimensions. Thirdly, politics is seen as political battle for control over the power to allocate resources, rather than for the allocation of resources itself. Fourthly, the political system is not sharply separated from society, but there is an overlap in political, economic, and social institutions. Fifthly, the model is a specifically Thai model, not a universal model for all societies. Lastly, conflicts between the state and society, and conflicts within the state can be accounted for (Chai-Anan, 1990d).
sector, equal attention must be paid to the roles and interests of business firms as well as the technocrats. However, as the roles and agendas of both have changed over time, it is more appropriate to focus on shifting coalitions in telecommunications politics. This theme of my study will allow us to see both convergences and divergences of various interests between the bureaucracy, business, and other powers.

2.4.2 From Dependency to Triple Alliance

Following the extensive debates over different ideas about political economy since the 1970s, one stream of radical thinkers have tried to balance the notion of a pluralistic Thailand with that of the continuing clout of the bureaucracy, and of the rise of local business with the expansion of international capital. Following strong attacks on the dependency school, both internationally and domestically, by statist, pluralist and other radical scholars for its rigid and outmoded approaches, the younger generation of scholars have admitted that industrialisation in the periphery can proceed in spite of its dependence upon external capital in core countries. They have moved away from the classical dependency theory because of its anachronisms and increasing irrelevance, although they are still ambivalent about other radical perspectives, such as class analysis, because of its neglect of the role of international capital. The former did not specify the mechanisms and conditions under which surplus appropriation between the periphery and the core was maintained and reproduced. The latter has tended to regard state power as class power, whilst pushing aside any notion of an interplay of external and internal links. Because of these concerns, eclectic views of state-society relations were created, combining elements from different approaches of dependency, class analysis, and statism. Basically, neo-dependency scholars proposed that economic development, taking place in the periphery or semi-periphery is possible because of cooperation between the state, local bourgeoisie, and international capital.53

53 These views are roughly comparable to those of Evans' triple alliance and Becker's study on Peru; they were probably influenced by these studies. Evans (1979) defined dependent development as the process of capital accumulation in developing countries which was accompanied by increasing differentiation of the economy and some degree of industrialisation. In Brazil, the interrelationship of foreign capital, local capital, and state capital was crucial to industrialisation because foreign capital would be unlikely to sponsor such activity without stimulation and pressure from local elites. Despite
Rejecting the previous dependency-theory claims that Thailand was a comprador state, Patcharee (1985) put forward evidence showing state policy to be in conflict with TNC interests. At the same time, her case studies on automobile and electrical appliances policies contradicted the pluralist view of state neutrality. Alternatively, she saw the Thai political economy since 1978 as a triple alliance in which the state acted to promote capital accumulation by pulling together local and foreign capital. In his theoretically informed study on the Thai political economy, Chairat (1988) portrayed rural development policy in Thailand as the state's means of increasing capital accumulation in the agrarian sector, as well as maintaining social cohesion and state legitimacy. His analysis combined elements of a triple alliance, class analysis, and society-centred approach of the state. In his view, class alliances between local capital, military-civilian bureaucrats, and foreign capital had created a form of dependent development for Thailand. 

The most well-known triple alliance perspective was the one presented by Suehiro (1989, 1992) who extensively studied the growth of Thai capital and capital accumulation in Thailand over the previous century. Unlike Patcharee and Chairat, he did not emphasise the state's role in industrial policy, as suggested by the former, or in building up legitimacy and social cohesion as suggested by the latter. Suehiro conceived of the Thai state instead as a major accumulator of capital; starting from the capital of the royal family and aristocrats (before 1932), and later bureaucrats (between 1932-73), state capital was always dominant. Applying a historical perspective on capital industrial development, however, the contradictions of dependency still remained, particularly the exclusion of the masses from development efforts. Becker looked at political bargaining within the coalition consisting of the corporate national bourgeoisie, TNCs, and the state as determining industrialisation in Peru.

Chairat concluded that government policy on rural development served mainly to create and reproduce the conditions necessary for domestic capital accumulation tied to the development of global capitalism. Rural development policy was initiated as early as the 1960s as part of the state's counterinsurgency-cum-rural development strategies. The programs included the Mobile Development Unit (MDU) program and the Community Development (CD) program in 1962, the Accelerated Rural Development (ARD) program in 1965, the Tambon Development Fund (TDF) program and the Agricultural Land Reform scheme in 1975, Rural Job Creation (RJC) program in 1980, and the current Poverty Area Development program.
accumulation prior to the 1980s, he reasoned that capitalist development since the 1960s had been a product of three major forms of capital: state and public enterprises including military-related firms, TNCs, and Thai-Chinese private business. The pattern of capital accumulation in Thailand was thus termed a 'tripod structure', based on relations between these three sources of capital conditioned by the internal and external environments.

Another dependent development concept, represented by Unger (1989), applied a pluralist view of state-society relations to the process of industrialisation in Thailand. Shunning the statist view of the technocratic state and the class analysis, he argued that no particular group or class dominated the power structure of the state. "It does not appear likely that state power in Thailand is likely to be seized by a small group with a shared commitment to strategic economic policies pursued through the institutions of a capitalist developmental state", stated Unger (op. cit.: 307). Instead, the Thai state formulated its policies in a defensive manner without any broader strategic economic policy framework. In spite of political and social stability, sufficient to establish a

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55 The first group was dominant in infrastructure sectors such as electricity, railway, and telecommunications, and some industries like sugar, tobacco, and glass. Foreign capital maintained control in several major industries, including resource-based industries, ISI which employed high levels of technology, like chemical and auto industries, and EOI, which manufactured brand-name products. The last group established itself in three main areas: the financial sector; industries such as textile and agro-industry; and agribusiness. In 1984 the breakdown of capital ownership of business assets of the three groups in Thailand was 23, 21, and 56 percent respectively (Suehiro, 1989: Table 8.1: 275). The Thai business sector could be characterised as follows: 1) large firms were dominant in terms of both employment and investment; 2) the sources of funding for large firms included public enterprises and the state, foreign capital, and domestic enterprises; 3) large firms were combined into a small number of conglomerates; 4) Thai capital only accounted for 51 percent of total combined sales and only 61 of the top 100 groups; 5) domestic large firms and business groups were mostly dominated by a single family or a group of families. However, management reforms during the 1980s included the establishment of holding companies to develop more global strategies to mobilise investment funds, and improve personnel management; 6) most firms were owned by overseas Chinese who were now considered Thai (Suehiro, 1992).

56 Rejecting the classical dependency theory, Suehiro argued that Thai economic dependency did not extend to the whole economic system; it was associated with particular modes of capital accumulation by domestic groups which explained as follows: "Under historical circumstances where the existence of both strong domestic political power and integration into the world capitalist system sets limit on Thai capitalists, the most practical – and perhaps the only possible way to achieve growth has been the 'dependent' mode of accumulating capital funds. Therefore the politically patronized, externally dependent, and commercially oriented capitalist groups which have dominated the economy thus far should be understood as a historical product of Thai capitalism at a certain stage of its development....Insofar as domestic capitalist groups are conditioned by historical factors, changes in such environments as political power structure, international economic relations, and industrial progress will inevitably have a great effect on their mode of capital accumulation." (Suehiro, 1992: 61)
political coalition in pursuit of national development goals, the Thai state had not made full use of its potential and its autonomy. On the contrary, he attributes the shift in the Thai economy towards manufacturing exports and economic takeoff during the late 1980s as primarily the impact of foreign capital. The influx of foreign investment from East Asia, following the currency appreciation, and the readiness of domestic business to form partnerships with overseas investors contributed to a process of industrialisation that otherwise would have been unlikely.

The eclectic views of the dependent development school draw on the strength of various political economy doctrines to remedy the previous drawbacks of the dependency approach which come from its rigid framework and neglect of the autonomy of the state and other social elements. As a result, these reformist views have provided a much more balanced analysis of Thailand's political and economic transformation. Furthermore, as increasing social and economic disparities resulting from Thailand's earlier industrialisation became more apparent, these explanations began to seem more relevant to an understanding of the urban-rural dichotomy. For example, Chairat made his point when reasoning that the state policies aimed at correcting such a bias were designed to preserve the status quo enjoyed by capital. Also, as globalisation has accelerated, the international dimension of the Thai economy, much discussed by dependent-development scholars, is gaining prominence as a major factor shaping the country's economic and social change. Certainly, the deepening of Thailand's industrialisation needs more foreign technology and capital than the earlier process of current industrialisation did. Since the telecommunications industry in particular requires

57 Unger argued that because of its defensive and compromising attitudes, economic policy-making in Thailand was aimed at interest accommodation and political stability at the expense of common development goals. As a consequence, no consistent development strategies and policy output, directed at promoting foreign investment and manufacturing exports, were actually carried out. This was clearly explained as follows: "The availability of enough political power to initiate reforms and manipulate market incentives does not assure its exercise. The Thai state cannot easily be characterised as either weak or strong, soft or hard, penetrated or autonomous, although it is clearly closer to the weak, soft, penetrated end of the spectrum. However, the abstract potential of state strength will not always be translated into its exercise. Much of the behaviour of the Thai state that appears consistent with an image of weakness may simply reflect indifference, the absence of compelling pressures producing motivations for the exercise of power." (Unger, op. cit.: 40)
huge capital and advanced technology, local businesses have no choice but to seek world-class partners and suppliers. Because the market is still highly controlled, both local and foreign business are only allowed to operate under terms and conditions set by the state. At face value, it may seem that this industry symbolises a state of dependent development conditioned by the triple alliance relationship between the state, local business, and foreign corporations.

However notwithstanding its obvious presence, foreign ownership and foreign technology does not simply translate into political power and influence to change or block policies. For example, the strong alliances between local big business and Japanese and European auto companies could not stop the Anand government from lowering auto tariffs and permitting imports of completely built-up (CBU) cars. In addition, the dependent-development perspective cannot tell when or how local business is able to change the triangular relationship of the triple alliance as time passes. Although the textile industry was once dominated by Japanese TNCs, it has been gradually taken over by local capital since the 1970s. A similar situation occurred in the telecommunications industry. Starting as front agents and franchise holders of TNCs, since the late 1980s local telecommunications firms have grown to the extent that they have turned TNCs into their junior partners and suppliers, with little policy influence or management role. Thus, studies of dependent development still risk exaggerating the actual power of international capital when it engages in joint ventures with local partners. Studies of the policy-making processes behind telecommunications liberalisation will reveal the relative power and influence of local and foreign business in relations with the state. Chapter three and four of this thesis will study this issue in detail.

2.4.3 From Bureaucratic Alliance to Bourgeois Polity

The integration of more pluralist perspectives into class studies of state-society relations has been encouraged by the increasing pluralisation of Thai society and the growth of business and societal forces during the late 1980s. Meanwhile, business has been seen as advancing its position from merely allying with the state to taking control of the state. In
his 1992 work on *Challenges to the Thai State: From Capitalist to Bourgeois State*, Hewison modified his earlier class analysis to combine more pluralist elements to explain the political and economic reforms since the Chatichai regime. According to Hewison, the Chatichai government represented the capitalist revolution and the spirit of change as it promoted civil society at the same time as it undermined older notions of the bureaucratic society, such as order, stability, and hierarchy. Business control of state institutions through political parties, reconstitution of state ideology and political legitimacy, and Chatichai's unleashing of state control on society, together brought about a counterattack by the bureaucracy, culminating in the 1991 coup. The transformation towards a bourgeois state and the development of civil society, *inter alia*, catalysed the growth of active social forces such as organised labour, *jao pho* businessmen, and NGOs (Hewison, 1992, 1993).

Ukrit (1991) and Thirayut (1993), two former left-wing intellectuals who had previously viewed Thailand as a bureaucratic capitalist state, have also come to share the view that business is now in charge of the Thai state. Even though their current ideas are attributable in part to pluralist ideas, their main thesis is concerned with the business class and its increasing political and economic dominance. Ukrit perceived that even the military-appointed regime under Anand Panyarachun reflected the entrenched role of business, as shown by the inclusion of eight leading businessmen in the cabinet. Also, the government's policy reforms were overwhelmingly directed towards economic liberalisation rather than social reforms or equity agendas. Adding an international dimension to his analysis of societal transformation in Thailand, Thirayut contended that globalisation would speed up the replacement of old values by liberal ideas and outlooks,

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58 While a capitalist state is explained as a state whose apparatus implements policies in support of capitalist accumulation, a bourgeois state is defined as a state over which the capitalist class has established its control over the state apparatus, its political arrangements, and its cultural and legal hegemony. In other words, business is able to take control of political organisations under the arrangements necessary for a bourgeois state (Hewison, 1992).

59 They were Sanoh Unakul (President, Bank of Asia), Gen. Phao Sarasin (Vice-President, Thai Farmers Bank), Suthee Singsaneh (Morgan Glenfell), Asa Sarasin (President, Padaeng Industry), Nukul Prachuabmoh (President, First Asia Securities and *Than Setthakit*), Amres Sila-on (President, S&P Syndicate), and Sipphanond Kethuthat (National Petrochemical Co.).
which would further contribute to the expansion of business control. In comparison, should the 1973 events have emancipated business from state control by ending the bureaucratic polity, the 1992 overthrow of the Suchinda regime certainly marked the real beginning of business leadership in Thai politics and society.

Whereas the Chatichai regime could be seen as an attempt by business at taking control of state institutions and ideology, telecommunications privatisation and liberalisation could be interpreted as one of the means by which business has attempted to fulfil such an ambition. The appointment of business-minded politicians like Montri Pongpanich and Samak Sundharavej as MOTC Ministers, the subsequent removal of military officers from the TOT and CAT boards, the top-down decision-making process behind the telecommunications privatisation programs, and the circumvention of bureaucratic procedures during the Chatichai government were more or less challenges to the state's traditional control of telecommunications policies and politics. The appointment of the former Police Colonel Thaksin Shinawatra, the top executive of the Shinawatra telecommunications group, as a cabinet member under the Chuan administration can also be interpreted as an obvious sign of business taking control of the Thai state. Whether these incidents represent new developments in the political economy of Thailand, or they just mirror the shell of realpolitik, is difficult to figure out. Both Montri and Samak soon resorted to allying themselves and their parties with the military when Gen. Suchinda Kraprayoon, claiming that corruption scandals related to telecommunications projects forced the military to launch the 1991 coup, decided to head the government in 1992 in spite of being unelected himself. Turning to Thaksin himself, it remains to be seen whether in his political career he will represent collective business interests in trying to transform the nature and organisation of the state or if he will merely seek to establish clientelistic networks with other politicians and bureaucrats in order to survive Thailand's political vicissitudes. The differences between the predisposition of business interests and political objectives and their actual practices have given birth to extensive writings on the dualistic character of Thai business enterprises by liberal-pluralist scholars.
2.4.4 From Urban-based Associations to the Jao sua-Jao pho Dichotomy

Pluralist studies of Thailand's political system, in conjunction with the extensive revisions in recent years of statist and class-based political economy approaches, have further refined our ideas about the political role of business by distinguishing different kinds of enterprises in accordance with their different relationships with the state. Unlike class analyses, these studies see the business class as including a combination of conflicting interests and goals. While previous studies have revealed the expanding role of Bangkok-based business firms in economic-policy making, particularly under the JPPCC framework, the businessmen-cum-politicians in the major political parties, many of whom are referred to as provincial jao pho, have paradoxically become much more politically active than the larger Bangkok groups. Sombat (1991), Pasuk (1993a, 1993b), Pasuk and Baker (1993, 1995), and Ockey (1993) have led the way with pioneering studies on the growing influence of these provincial jao pho in local and national politics. Sombat (1991) explained that the jao pho have been emerging since the 1960s, as a consequence of the capital inflows that occurred during the Vietnam War and of the domestic expansion of business enterprises from Bangkok into the provinces. While many jao pho businesses were set up in response to the penetration of capital from the cities into the rural areas, local connections with government officials were highly sought after to secure permits and protection. As the 1970s democratisation was accompanied by periodic elections, these jao pho took the opportunity to form links with the political parties by canvassing votes for particular parties and individuals. In return, the jao pho benefitted from the support provided by political parties through state mechanisms. The gradual enhancement of the jao pho's role and influence in local as

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60 According to Pasuk and Baker (1995), the term jao pho connotes those businessmen whose business interests lie in certain economic activities, including resource exploitation, agro-industry, construction contracting, trading, auto dealership, whisky distributorship, real estate development, underground lotteries, smuggling, gambling, and criminal activities. Previously, the term itthiphon (influence) was used to refer to the growing power of provincial businessmen and local notables. The word jao pho in fact meant a local 'spirit lord' known to have supernatural power. The later application of this term to local influentials implied their ability to act above law and connoted crimes and violence. Pasuk and Baker interpreted the common use of the term by the late 1980s reflected Bangkok's uneasiness over the rising power of provincial jao pho.

61 The political aspect of the jao pho was thoroughly explored by Ockey through the organisation of political parties and the parliamentary system. A lack of party branches in local areas forced candidates
well as national politics thereby resulted in a considerable decline in the power of the bureaucrats.

Through parties and party factions, local *jao pho* were able to exercise their potential power by forcing bureaucrats to cooperate with them in their activities; otherwise, state officials risked setbacks in their careers. Under these changing circumstances, "the power relationship between the criminal entrepreneurs and local officials has changed, with the entrepreneurs now in command." (Ockey, 1993: 21) In short, the parliamentary system "has coincided with the visible rise of so-called *chao phaw* (*jao pho*)-mafioso-like politician capitalists who, by the use of violence, political connections, and control of local markets and rackets, become feared provincial bosses." (Anderson, 1990: 42) Despite the negative connotations of the term, however, the rural bourgeoisie were still attracted to elections and the parliamentary system.

Whereas *jao pho* business seemed to epitomise the darker side of Thai business, Anek (1993) argued that other kinds of business were different in nature; i.e. large businesses with international contacts and professional management, which were potentially more liberal and pro-deregulation. In particular, the younger businessmen and professional managers, whose interests were related to newly emerging businesses involved in real estate, the stock market, and tourism, represented new types of business to mobilise all kinds of personal connections and networks to gain votes. Because of this institutional problem and intense competition among political parties, provincial entrepreneurs thus filled the gap as voting chiefs or *hua khanaen* who provided financial and organisational support for voting candidates. Most importantly, many regional *hua khanaen* or *jao pho* later became MPs themselves or formed networks of support for national and local politicians. The rise of vote-buying, as opposed to previous forms of bureaucratic coercion, made support from *jao pho* a prerequisite for electoral success. As a *quid pro quo* for their contribution to parties or political factions, these *jao pho* politicians were allocated important positions in political parties or even nominated for cabinet positions.

62 First, the system provided channels to political power vertically and horizontally. On the one hand, it allowed anyone to climb up the social ladder. On the other hand, it gave an opportunity to provincial businessmen to by-pass the Ministry of Interior's powerful hierarchy and even to exert influence over it. Second, the strengthening of parliament meant the weakening of bureaucratic power and its accompanying business monopolies. Third, electoral politics and accompanying vote-buying enabled the bourgeoisie to gain particular advantage from their ample resources. Also, the institutionalised system had the advantages of alleging fears of potential outbreaks of violence. Finally, because of the remnants of Thailand's feudal practices, an MP in rural Thailand possibly enjoyed a degree of prestige and power that politicians in Western society could not dream of.
groups to which democratic values were being transmitted from the West. These people, many of whom had experienced or even participated in the 1973 and 1976 political crises, were sensitive to political developments which might cause international concern. Because many of their business interests were set up during the 1980s economic boom, any political disruptions which had serious international consequences could damage their newly-found fortunes.

As the nature of Thai business and its political roles became more controversial, Pasuk and Baker (1993) drew a distinction between Bangkok-based businessmen, termed *jao sua*, and local *jao pho* to compare their different nature, preferences, and political roles. The former refers to the more established urban-based entrepreneurs whose business is outward-oriented and more international in character.\(^{63}\) They prefer an open and liberal administrative environment, free from controls and regulations. Because their political outlook is relatively independent and assertive, business associations were used by the *jao sua* as a means of influencing policy. During the 1970s and early 1980s, several political parties were based largely on a coalition of *jao sua* and urban-based elements.\(^{64}\) On the other hand, *jao pho* businesses were mostly geared towards the demand for goods and services in the province. Some *jao pho* operated basic economic activities which required government licences or protection. The degree of protection and immunity required could reach up to the level of the army regional commander, provincial governor, or chief of police. The *jao pho* targeted government funds and patronage to further their business interests. The elections in 1979, 1983, and

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63 This has been the nature of *jao sua* since the mid-1980s. The growth of *jao sua* started when a small number of businessmen, emerged during the war, succeeded in establishing connections with state officials and obtained government promotion and protection. Later, joint ventures with foreign capital rapidly boosted their capital accumulation. By the early-to-mid 1980s, most *jao sua* businesses were linked to international sources of trade and investment after the saturation of domestic demand. Hence, connections with military and government officials now meant less to them than economic liberalisation did (Pasuk and Baker, 1995).

64 For instances, the Social Action Party (SAP) was an alliance between liberal royalists and metropolitan business, while the Democrats combined the two groups with other new urban elements. SAP's policies of promoting economic growth and manufacturing exports clearly represented the interests of *jao sua* enterprises. Ibid.
1986, and 1988 transformed the character of parliament and political parties quite significantly as *jao pho* and their associates became dominant forces there.\(^{65}\)

Despite their initial dependence on the military and state bureaucracy, *jao pho* politicians eventually began to challenge these former patrons when issues of resource allocation arose.\(^{66}\) Later moves by the Chatichai regime to liberalise the economy and remove senior military and civilian bureaucrats from major state enterprises were interpreted as a series of attacks on the bureaucracy.\(^{67}\) Moreover, Chatichai's policy of turning battlefields into market places, which was designed to attract support from *jao pho* politicians and businessmen from the Northeast, was perceived as undermining the military's political role and economic interests in the region, for which the security claim along the border provided the shield.\(^{68}\) Following the above logic, the 1991 coup was seen as a reaction from the military and bureaucracy to their loss of power. Initially, the bureaucracy attempted to attract support from urban-based *jao sua* and the middle class by appointing Anand Panyarachun, a national symbol of Bangkok businessmen, as the Prime Minister (Pasuk and Baker, 1993). Also, a list of *jao pho* was compiled by the military as part of the plan to coerce them to be compliant allies, reminiscent of the past. In any case, an alliance between the military and Bangkok business could not be sustained as Anand and *jao sua* businessmen chose to form another alliance with

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\(^{65}\) Some *jao pho* who did not run in the elections themselves chose to sponsor candidates for particular parties. For example, an infamous *jao pho* from an eastern province provided support for at least eleven MPs from SAP, Chart Thai, Chart Pracha Thippatai, and Chart Pathana, during the period 1975 to 1992 (Pasuk, 1993a). SAP was virtually controlled by *jao pho* after 1983 and became weakened by factional in-fighting afterwards. The Democrats split after 1986 and again in 1988 as a result of political struggles among various *jao pho* factions. Meanwhile, Chart Thai, the party with the highest concentration of *jao pho*, emerged as the largest party after the 1988 election. This election was regarded as a major victory for the *jao pho*, as key cabinet positions including Defence, the Interior, and Finance went into the hands of political parties for the first time since 1980 (Pasuk and Baker, 1995).

\(^{66}\) Opposition to the military's purchase of 18 F-16 aircraft, the cutting of the military's secret fund in 1986, the squeeze of the military budget in 1989, and the demand for smaller and more accountable military organisation in 1991 were a series of political battles between political parties and the military for a larger share of national budgets (Ibid).

\(^{67}\) By placing control of government contracts under individual ministries, the government shifted the control of public funds from the hands of the bureaucrats to the hands of elected ministers. Because of the entrenched power of the bureaucracy, this attempt was tantamount to an attack on the bureaucracy itself. Ibid.

\(^{68}\) It was believed that, besides countering Vietnamese influence, conflicts along the eastern border generated a lot of trade in arms and other valuable goods. Furthermore, the perceived external threat helped to preserve the role of the military in national politics. Ibid.
technocrats to undertake economic liberalisation. As a consequence, military patronage
was rejected by the jao sua and its authority challenged by the pro-liberalisation
coalition.

The jao sua-jao pho analysis highlights, on the one hand, conflicts and division
between different kinds of business enterprises and, on the other hand, both conflicts and
cooperation over various issues between business and different arms of the bureaucracy.
It provides a clearer framework and explanation of the transformation of state-society
relations than previous pluralist studies had done, which told only one side of the story –
i.e. the rise of the business sector outside the realm of bureaucratic domination, as well
as its increasing participation in economic policy-making. The politics of the
telecommunications industry during the late 1980s resembled a kind of jao pho-style
relationship in which jao pho politicians established connections with state bureaucrats to
open up business opportunities for particular business interests. Privatisation secured
financial support for political activities from business-cum-politicians while allowing
certain telecommunications firms to reap the benefits of the still protected market.
However, the 1990s has seen a significant transformation of state-business relations as
those jao pho-type politicians have lost their control of the Ministry and the more
established telecommunications firms have graduated towards a more jao sua style of
business. In the meantime, many new operators, whose corporate nature is professional
and international in character, have increasingly entered into the widening market.

Nonetheless, it may imply too sharp a division between jao sua and jao pho
businesses since it can be assumed that some enterprises may combine elements of both.
The Charoen Pokphand (CP) Group, for example, was renowned for its professional
management and international outlook. However, major scandals erupted involving the
CP, military leaders, and the Chatichai cabinet, with drastic consequences. In contrast,
the Samart Group, whose control and management are mainly family-based, developed a
strong technological niche and later diversified into many businesses, only a few of which
depended on state concessions. Although Pasuk and Baker (1993) were well aware of
this overlap and accepted that there were exceptions to their classification, they perceived that the trend towards diverging interests between the two lines of business was already there, coinciding with the rapid internationalisation of the Thai economy.

One problem about highlighting the on jao pho-jao sua distinction a tendency to downplay other social forces which were also emerging alongside business. The high-level politics within parliament and the low-level politics at the grass-roots were not yet tied together in a systematic manner to provide a broad-based view of a society-centred political economy approach.

Interest in other social groups as agents of political and social change was virtually an offshoot of studies of government-business relations, and especially of the political turmoil of 1991-92. Anek (1992) claimed that despite its resistance to the old authoritarian regime, the bourgeois class in Thailand was not truly democratic. Ironically, while the Thai bourgeoisie could not accept the low moral standard and professional capabilities of politicians and their parties, they agreed to only a temporary disruption of democracy, but not to direct control of politics by the military. In writing of these events, Pasuk and Baker (1993, 1995) focused also on Non-Governmental Organisations (NGOs), the media, intellectuals, professionals, and new Buddhist sects as the leading non-business social forces. A coalition of these social groups, jao sua business, radical elements within the military, and some factions within the Democrat

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69 NGOs have gained wide acceptance and publicity since the 1980s when struggles against dams, eucalyptus plantations, and illegal logging forged links between NGO workers, peasants, the middle class, activist monks, and the press. The NGO campaigns against deforestation and the military's relocation of villages to pave the way for private-licensed reforestation programs in the early 1990s reflected the villagers' opposition to large-scale capital and the environmentalists' protests against unsustainable consumption of natural resources. The Thai media is relatively free, as suggested by their criticisms of the military during the May 1992 incident. However, the relative independence of the Thai press does not prevent some parts of it having close links with the military and political elites. For instance, Thai Rath established links with the military and political elite during the 1960s. Matichon gave support to Class Five of the military in the late 1980s. Naew Na gave support to Gen. Chavalit Yongchaiyuddh, the former Deputy Prime Minister and Army Commander. The reformist monks, who emerged in the 1960s alongside the increasing number of the middle class, have contributed to the spectacular growth of the Dhammakai, Suan Moke, and Santi Asoke sects since the 1980s. These movements emphasise the capacity of individuals and their rights to direct participation in religion, while some even oppose the absolute authority of the state. The election victory of Chamlong Srimuang as the Governor of Bangkok in the mid-1980s, and the subsequent formation of political parties was seen as part of a move into politics by Santi Asoke (Pasuk and Baker, 1995).
Party, was put forward as the major reason leading to the downfall of the military in 1992. Also some scholars, who had previously concentrated on the business class and capitalist development, now started to explore other pluralistic elements in Thai society. Preecha (1993) and Voravidh (1993) looked at the increasing importance of social groups such as professionals, students, academics, the media, NGOs, and labour. According to Voravidh, it was no longer appropriate to distinguish a class simply by socio-professional category since Thai society in the 1990s was much more diverse than it was during the 1970s.70

The role of urban-based labour is a controversial issue in the study of Thailand's political economy because of its fluctuating influence and ambiguous position. Vichote (1991) held that Thai labour was an autonomous social force acting in the interests of the working class and other lower social strata. Strikes organised by radical labour leaders during 1973-1976 had demonstrated that workers were free from patron-client relationships with the bureaucracy. Despite the decline of labour since 1976, its periodic alliances with the military and political leaders on various issues could arguably be seen as an effort to uphold the interests of the working class. Strange as it may seem, Vichote contended that labour chose to join such alliances on a voluntary basis.71

While business influence in politics was more apparent because of its direct role in the visible polity outcomes, the political role of labour was rather murky, as its various alliances with the state could be interpreted in different ways. Kittipak (1991) contradicted other arguments by suggesting that direct and indirect intervention by the state made Thai labour weak and fragmented. Napaphorn (1993) examined the internal conflicts within labour organisation and the effects of state intervention that tended to

70 For instances, the middle-income population now includes people from different groups ranging from the petty bourgeoisie, bourgeoisie, professionals, intellectuals, bureaucrats, to private employees.
71 Four major cases were studied to substantiate this assertion: the military's attempt to amend the constitution in 1983, the opposition to the currency devaluation in November 1984, the Maekhong strike in 1984, and the abortive coup in 1985. In spite of labour's alliance with the military in all these four cases, Vichote interpreted these actions as independent acts to increase the political power of labour and to solve the labour problems.
undermine the strength and effectiveness of labour movements. Pasuk and Baker (1995) explained that the government's cooptation policy during the 1960s and 1970s, which provided public enterprise unions with high pay and favourable working conditions, led to the separation of the most powerful labour groups from more radical elements as well as private-sector unions. However, state-labour patronage had declined since the 1980s when the government first launched its privatisation policies. The growing power of business was attributed to the deterioration of the older military-labour corporatist arrangements, and the subsequent separation of labour from politics.

Labour is one of the most active social forces involved in telecommunications politics alongside the different arms of the bureaucracy, political parties and business. Telecommunications unions are among the strongest and largest public enterprise unions in Thailand, and public enterprise unions have been the core of the labour movement in Thailand. Telecommunications unions effectively blocked government plans to privatise a wide range of public enterprises in general and the TOT and CAT in particular by developing a close clientelistic relationship with the military, as well as employing various means of lobbying or even resorting to strikes. It is questionable whether telecommunications labour moved to protect the interests of the working class, as a whole as their agendas were strictly limited and their incessant demands for welfare benefits actually caused a public backlash against the labour movement in general. Paradoxically, the close relationship between labour unions and the military was still apparent even when the Labour Act was revoked and public enterprise unions were rejected after the 1991 coup. The real issue is not whether labour chose voluntarily to form a special relationship with the military or not, but how this relationship worked out or was maintained.

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72 As an example, while the progressive and independent groups like Prapadaeng and Omnoi-Omyai unions demanded an elected Prime Minister during the 1992 political upheaval, the conservative group, like the National Free Labour Unions Congress (NFLUC) unions, joined the military in attacking NGOs and other democratic movements. For example, Chin Thaplsee and Anusak Bunyapranai, two leading labour figures, aggressively attacked public demonstrations against the military, and threatened to mobilise mobs throughout the country to slay demonstrators. See Daily News and Matichon, 3 June 1992, cited in Napaphorn (1993: 124).
Conclusion

Debates on the political economy of Thailand have been greatly transformed during the past three decades, illustrating two phases of development over the period, each of which has coincided with Thailand's major political and economic transitions. The first phase, which began soon after the mass uprisings in 1973, was marked by analyses of the political economy of Thailand that in general challenged the predominant statist view of Thailand as a bureaucratic polity. Popular among the students and intellectuals were classical Marxist, dependency, and pluralist approaches which proposed alternative analyses of state-society relations in Thailand. The major issue was whether the state was truly autonomous and dominant in the area of economic policy-making. These alternative views argued that other actors besides the state also played important roles in Thailand's economic policy making. Each approach applied its own theoretical explanation; hence, each tended to argue in support of particular organisations or interests.

As political democratisation took shape during the 1980s, along with economic liberalisation, the debates on state-society relations in Thailand progressed to a second phase. The issue was no longer centred solely around state autonomy or the political and economic domination of the state. Instead, the issue became extended to state-society relations more generally and the relative power and influence of the major state and non-state interests involved in particular issues. Many rigid views and traditional perspectives gave way to new ideas about Thailand's pluralising society. If the first process had brought about a divergence of perspectives on Thailand's political economy, the second process resulted in a broad consensus about the crucial new feature of the political economy, namely, that societal interests were now exerting political and economic influence.

While all explanations now commonly accept the existence of societal interests and their growing political and economic influence, major differences remain about the extent of that influence and the character of the power relationships between state and
non-state segments. While the statists tend to accept the co-existence of the bureaucracy and social forces, with the technocratic arms of the bureaucracy taking the lead, the dependent-development scholars take the view that the state must share its power increasingly with local and international business. The class analysts see the development of civil society and increasing pluralism in Thailand, sanctioned by the bourgeois class, as an attempt to alter the nature of the Thai state and its ideologies in order to pave the way for a more thoroughly bourgeois polity. Pluralist thinkers see an increasing differentiation of Thai social forces, with business now perceived as consisting of both conservative and progressive elements.

While the issue of state-society and government-business relations is the main focus of current political economy studies, and also of this study, the focus of this work is somewhat different from other previous political economy writings. This study will not concentrate on finding evidence to prove or disprove the statist views of the Thai political economy or any other approach. Nor does it aim to pinpoint which organisation or interest is more powerful than others. I agree with Hawes and Liu (1993: 659-660) that "both the state and societal forces find themselves in shifting patterns of interdependence" during what has clearly been a transitional period. Moreover, "the coexistence of a relatively strong state and the growing influence of society-based actors, as well as on their need for mutual compromise" should provide us with a more balanced view of the political economy of Thailand. In accordance with this idea, the politics of telecommunications in Thailand has been marked by shifting political coalitions both in support of and in opposition to regulatory reforms derived from particular political and economic ideas. Here the aspects of time, space, and ideas will be integrated into this study to provide a better understanding of the dynamic interactions among various interests and their relationships with the internal and external environments. As to the temporal factor, telecommunications liberalisation has covered the period from the mid-1980s, when Thailand's economic recession accelerated the privatisation programs, to the 1990s, when Thailand's economic success has given rise to extensive economic liberalisation. There has been a spatial dimension also, in so far as different degrees of
'political space' have been granted to society-based groups by various political regimes in Thailand during the period under investigation, while the channels through which business can influence telecommunications politics have gradually been broadened. On the role of ideas, telecommunications politics has demonstrated that certain ideas like economic liberalisation, privatisation and suwannaphumi have also served as the basis on which pro-reform and anti-reform coalitions have been built.

Because of these shifting political coalitions and the high degree of dynamism in the political process since 1985, the politics of telecommunications displays various features that are identifiable in other political economy perspectives also. The traditional view of the bureaucratic polity was relevant until the 1980s, with bureaucrats dominating state telecommunications agencies, and telecommunications was considered more as a facility relevant to state security than an essential economic infrastructure or service. If the focus is on the supply side, the dependency perspective was also applicable during that period, when Thailand totally depended on Japanese and European telecommunications supplies, technology, and overseas loans for telecommunications development and expansion programs. The role of domestic business was minimal, when compared to foreign institutions, or the overpowering dominance of bureaucrats and military officers. However, class analysts and liberal-pluralist scholars came into prominence in the late 1980s when a limited degree of privatisation of telecommunications services seemed to be a product of joint efforts by domestic business and the technocratic arms of the bureaucracy to revamp outmoded infrastructures and state telecommunications agencies. Whereas class analysis concentrated on the common interests among the domestic capitalist class and the bureaucratic elite, the liberal-pluralist approach tended to view state policy as a response to pressing demands from business. Whichever way they looked at the problem, it was basically two sides of the same coin, with local business on one side, the bureaucracy on the other.
Likewise, the modified political economy views prevalent since the 1980s are, to some degree, useful to highlight the roles of certain actors and interests and explain their actions. Because telecommunications politics comprises many actors, whose power and interests are unfixed or transformable, different policies have at different times required different theoretical emphases and explanations. When the changing role of the bureaucracy regarding telecommunications regulatory reforms is examined, the statist focus on the developmental dimension of the state and the technocrats will help to differentiate various arms of the bureaucracy and their diverging interests. If the emphasis is on capital investment and technology, a 'triple alliance' or 'tripod structure' is appropriate to explain the pattern of telecommunications infrastructure development in Thailand, whereby state capital operates alongside joint investments by foreign and domestic business. The acceleration of telecommunications privatisation and limited liberalisation undertaken by the Chatichai government and the subsequent conflicts between politicians and state bureaucrats on such matters can also be understood in some degree as part of a struggle between the business class and the incumbent authorities. Meanwhile, the pluralist perspective will make us aware of the subsidiary roles played by labour, academics, and the media in telecommunications politics.

Turning to the broader political economy debate, the politics of telecommunications reveals the long-term trend towards the increased power and influence of the pro-reform coalition, the core group of which consists of business, the technocratic arms of the bureaucracy, and political parties. Because of its close relationship to the broader changes taking place within Thailand's political economy, this trend suggests that telecommunications liberalisation symbolises Thailand's transition towards political democratisation and economic liberalisation. From the 1980s the reform agendas have shifted from state monopoly to privatisation to liberalisation and then competition.
The interests and positions of state and non-state actors have significantly altered during the past decade, as Thai governments oscillated between democratic and authoritarian regimes. Earlier, the military, state telecommunications operating agencies, and labour interests aligned themselves to block regulatory reforms and market liberalisation. Later, when the tangible profits resulting from limited liberalisation appeared, their positions shifted and the alliance was weakened. Local business, whose interests were represented by political parties, initially sought to crack state control of this economic sector without moving as far as supporting a policy of liberalisation and deregulation. As time has passed, business has matured economically and its agenda has shifted towards demands for extensive liberalisation. By the mid-1990s, the politics of telecommunications was considerably transformed and the role of the state was being redefined in the wake of liberalisation and regulatory reform.
Chapter Three
The Politics of Regulatory Reform: The First Phase

The politics of regulatory reform in Thailand since the mid-1980s has passed through two phases, each with a rather distinctive trajectory. The first phase, which covered the last years of the sixth Prem government (1986-88) and the Chatichai government (1988-91), was characterised by the continuation of a state monopoly over all parts of the telecommunications industry, slightly modified by the beginnings of deregulation and of some private participation in several limited sectors. In the second phase, from the overthrow of the Chatichai government in February 1991 and its replacement by the first Anand government (February 1991-March 92), the short-lived regime under Gen. Suchinda from April-May 1992, a second Anand care-taker government and then the Chuan government which followed the September 1992 election, much more rapid progress was made toward bringing down the state monopoly both by modifications of the law governing telecommunications and through joint ventures between the state and business. Throughout both periods an increase of private investment in telecommunications was occurring and an increasing number of Thai business enterprises were becoming involved in various parts of the industry.

The telecommunications revolution in Thailand, marked by the rapid expansion of high-tech value-added services – data communications, satellite broadcasting, and mobile telephones, for example – has misled many people into believing that this industry has already been substantially deregulated, or that the government must at least have relinquished its monopoly control over this sector of the economy. The emergence of private telecommunications businesses and competition among these operators seems at face value to suggest a certain degree of market opening or even privatisation and liberalisation of the industry, the products of regulatory reforms in all countries. Yet when the issue of regulatory reform is examined more closely, it can be seen that private investment in telecommunications actually preceded the legal amendment that was supposed to wind back the state monopoly. How could privatisation and limited
liberalisation take place within a context of rigid government control? Why was regulatory reform not carried out as the first step towards development of the telecommunications industry? The answers to both questions must be related to the ongoing battles between pro-reform and anti-reform coalitions, each of which is characterised by shifting alliances and changing positions and ideas regarding the issues of privatisation and liberalisation.

The last decade in Thailand has seen unceasing struggles over telecommunications reform between major organisations and interests seeking to hasten or delay the pace of privatisation and liberalisation. The outcome achieved was partial privatisation and limited liberalisation, a practical compromise reached between the pro-reform and anti-reform coalitions as a temporary means through which telecommunications infrastructure can be developed prior to the completion of legal amendments. This development strategy, known as the 'Build-Transfer-Operate' (BTO) scheme, allows the private sector to invest and operate in many telecommunications services, while preserving the state monopoly, on the condition that ownership of these privately-funded projects is transferred to the state before they come into operation. BTO schemes were more or less the driving force behind the telecommunications revolution in Thailand.

This chapter, as well as Chapter Four, focuses on the politics of regulatory reform in telecommunications since the 1980s - the period during which the telecommunications revolution in Thailand took off. The discussion is divided into two chapters in order to provide a comparison between two roughly parallel trajectories of telecommunications reforms during two major phases of political development. The first phase, starting from the final years of the Prem government and ending with the downfall

1 BTO is a variant of the standard Build-Transfer (BT) schemes such as Build-Own-Operate (BOO) and Build-Operate-Transfer (BOT) contracts which are the usual forms of privatisation of public projects. Under BTO schemes, private investors are bound to transfer the ownership of any project upon its completion to the state in return for the right to operate the project for a certain period of time. The first BTO project was introduced by the MOTC during the late Prem period.
of the Chatichai administration after the military coup in 1991, saw the introduction of BTO schemes in a small telecommunications project and its later development into the central strategy for infrastructure development during the Chatichai government. In the second phase, commencing with the Anand administration and extending well into the Chuan government (1992-95), BTO schemes came under reconsideration while regulatory reforms were continued. During 1994-95, BTO schemes lost much of their lustre at the same time as a new development strategy, joint investments between the state and private sector, gained prominence. In political terms, both the first and second phase similarly experienced political transformations from a semi-democratic or authoritarian regime into more democratic regimes in their later stages.

This chapter will emphasise the changing power relationships among the major actors involved in the politics of telecommunications in response to the changes in political regimes. Following the semi-democratic system under Prem, when the military and technocratic agencies were powerful forces in national politics as well as in the telecommunications sphere, the regime changed towards a more democratic, party-based government under Chatichai. This change cannot be explained in terms of a Riggsian bureaucratic polity approach, since both the military and the older bureaucratic agencies were losing much of their earlier supremacy. Meanwhile, the influence of political parties and of business firms was growing in a way that has been explained by Anek in terms of a liberal-pluralist analysis. At the level of telecommunications politics, however, power relationships were much more complicated and could not be explained solely in terms of a shift from the old bureaucratic polity model to the liberal-pluralist one. The politics of regulatory reform was not simply a matter of the state versus business, or the bureaucracies versus political parties. Rather, it revealed various alliances of both state and non-state actors competing with other alliances, which combined other arms of the state and non-state interests. The more pluralist and liberalising trend of telecommunications politics was marked by the growth of a broadly pro-reform coalition under Prem into two specific coalitions, one preferring telecommunications liberalisation and the other favouring private participation, opposed by a sagging anti-reform coalition.
Because telecommunications politics encompassed several major coalitions, the more liberalising trend in telecommunications policy needs to be analysed alongside the politics of each major coalition engaged in the reform process. On the one hand, the pro-liberalisation coalition, in which businessmen-politicians were powerful, may seem to be explicable in terms of a class analysis which assumes business control over state institutions. On the other hand, the coalition promoting private participation resembled the kind of triple alliance described by Evans and other neo-dependency theorists, in which local telecommunications businesses sought partnership with state agencies and foreign partners to reap benefits from BTO projects. The decline of anti-reform interests reflected both the liberalising trend of Thai society and the growing power of pro-reform coalitions. The first part of this chapter deals with the politics of regulatory reforms under the Prem government and the second part the reforms under the Chatichai administration.

3.1 The Prem Government and the Deepening of Privatisation

If Gen. Prem Tinsulanondha's eight-year rule (1980-88) represented transition from an authoritarian towards a more democratic regime, during which the military and other bureaucratic agencies struggled to retain their powerful roles against challenges posed by political parties and business, the regulatory reforms in telecommunications also revealed conflicts involving the aforementioned interests. Two abortive coups in 1981 and 1985 demonstrated efforts by the military to limit the power of political parties, while the military alliance with state enterprise boards and labour unions opposed to regulatory reforms in telecommunications could best be seen as the manifestation of older-style bureaucratic struggles to maintain the status quo. As the key issue central to regulatory reforms in telecommunications was privatisation, it is important first to understand the politics of privatisation at a more general level.
3.1.1 Privatisation Policy and the Privatisation of Telecommunications Agencies

A. Privatisation of State Enterprises in Policy and Practice

The government's policy of privatisation in the 1980s was not something new for Thailand; it was actually mentioned as an element in the country's economic policy with the introduction of the First Development Plan (1961-66). However, its implementation was very limited in scope until the 1980s; hence privatisation never became a controversial issue until then. All this was to change under the Prem government, when the drive towards privatisation of state-owned enterprises (SOEs) intensified and came to be considered an important element in government economic reforms. Moreover, the Fifth National, Economic and Social Development Plan (5th NESDP: 1982-86), planned and carried out under the Prem government, clearly emphasised private participation in state enterprises.

The Prem government's determination to speed up privatisation came into prominence in the policy outline stipulated in the Fifth Plan as well as in many decisions made by the cabinet on the privatisation of state enterprises. The Fifth Plan combined wide-ranging strategies to bring about privatisation: for example, setting criteria by which SOE efficiency could be determined for future privatisation or dismantlement; re-establishing a controlling agency to follow up SOE privatisation by allowing a trial period for their improvement; selling shares of SOEs to the private sector; and allowing the private sector to participate in management and service provision under the policy control of government. This policy indicated that inefficient and unprofitable enterprises would be the targets of privatisation whereas efficient and money-making SOEs would be allowed to continue. Because of this logic, many measures aimed at improving the

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2 The First Plan, initiated after the establishment of the NESDB by the Sarit government, outlined the free market economy through the government's policy of avoiding state competition with private business. The Second Plan (1967-71) indicated that the government would not hold more than a 50 percent stake in joint ventures with the private sector while unnecessary state enterprises would be privatised. The Third Plan (1972-76) considered privatising state enterprises unrelated to public welfare and national security. The Fourth Plan (1977-81) focussed on privatising state enterprises which were not subject to natural monopoly, quality and price control, and revenue-generating activities (Panas, 1986).
efficiency of public enterprises were streamlined under the plan, including the introduction of corporate planning for all public enterprises and new regulations requiring SOE boards to be appointed by the cabinet (Snoh, 1986).

To further boost SOE efficiency and accelerate the implementation of privatisation, the cabinet showed its commitment to the Fifth Plan and occasionally stepped in to set out policy guidelines. For example, in 1986 the cabinet divided state enterprises into five categories for more effective implementation of the plan: income-generating and state-monopoly enterprises such as the tobacco monopoly and lottery agency; SOEs providing public utilities and infrastructure like the Telephone Organization of Thailand; SOEs serving special policy aims such as natural resource protection and monetary regulation; SOEs set up for national security such as the Glass factory and the Battery Organisation; and those SOEs serving other purposes such as insurance and sugar production (Kraiyudht, 1990b). The government made it clear that no new SOEs would be expanded to compete with the private sector, except in the areas of public utility and security. For SOEs created for security purposes, those no longer necessary would not be expanded and in some cases they would be privatised. Moreover, inefficient SOEs were to be dismantled or privatised while profitable and the more efficient SOEs would require more involvement from the private sector.3

This proactive policy on privatisation adopted by the Prem administration was basically conditioned by two main factors: the example of extensive privatisation and regulatory reforms of public enterprises in Europe and North America, and the economic recession that Thailand faced following the second oil shock. The influence of liberal economic reforms in the West must be placed in the context of the powerful role of the technocrats in major bureaucratic organisations in Thailand. Technocrats from the Bank of Thailand, the Ministry of Finance, and the NESDB in particular had long traditions of promoting a capitalist economic policy in Thailand. The first two generations of

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3 See details in Cabinet Resolution, 12 June 1984.
technocrats after the Second World War, mostly educated in Europe and North America, had played crucial roles in replacing a nationalist economic policy by a more liberal economic policy in 1945 and in the later development of liberal capitalism in Thailand in the 1960s. These were the people and organisations whose contacts with international organisations like the World Bank and the IMF contributed to Thailand's policy of promoting liberal economic doctrines (Rangsan, 1993). Because of their similar educational background and long tradition of commitment to liberal economic policies, the example of deregulation in America and privatisation of public enterprises in the UK had influenced not only the economic thinking of the international organisations, but also of the technocrats in major policy-making agencies in Thailand.⁴

If economic deregulation and privatisation were prevalent ideas that set an agenda for Thailand's economic reforms, the economic recession resulting from the second oil shock in the late 1970s forced Thailand to implement wide-ranging economic reforms within which privatisation of state enterprises was to become a major element. Following the oil shock and subsequent global economic downturn, the Thai economy deteriorated as the GDP growth fluctuated on a downward trend during 1981-86 from 6.3 percent to 4.1, 5.9, 5.5, 3.2, and 3.6 percent respectively. These levels of growth seriously undermined public confidence in the national economy as they were the lowest since the inception of the First Plan, after earlier annual average growth rates of seven percent. Meanwhile, inflation shot up to 18 percent in 1980 and 11 percent in 1981 before declining to a single digit figure in 1982 (Paichitr, et al., 1987). In addition, the current account deficit stayed at alarmingly high levels (6.2, 7.1, 2.7, 7.3, 5.1, and 4.1 percent of the GDP during the years 1980-85) before tapering off in 1986 (Warr, 1993). This was the worst economic recession Thailand had experienced since the beginning of the First Development Plan.

⁴ Of course, there were different degrees of commitment to liberalism by different bureaucratic agencies. While the Ministry of Commerce and the Ministry of Agriculture were less likely to support liberal economic policy because of their different tradition and interests involved, the Ministry of Industry and the MOTC were more progressive. Rangsan (1993) explained that there were conflicts between 'privileged capitalism' and 'liberal economic policy' within the bureaucracy.
Because of the large trade and current account deficits and the drain on the government's foreign reserves, the Prem government was compelled to seek immediate responses as well as economic reform measures to restore Thailand's economic stability and eventually pull Thailand out of the recession. As part of its short-term measures, the government resorted to borrowing from the IMF to remedy its budget deficits and to restore foreign reserves. Moreover, a ceiling for public foreign debt was set at an annual amount of US$ 1 billion and many large-scale infrastructure projects were scaled-down or put on hold. For example, the Eastern Seaboard development program, the Prem government's central strategy for Thailand's industrial development, was scaled down in scope and the time span of its implementation extended (Unger, 1989). In telecommunications, the Telephone Organization of Thailand (TOT) had to extend its major investment plan over another three years from the original program of 1984-88 to the period 1984-91 in order to abide by the government's debt-ceiling and other austerity measures. Furthermore, the TOT was ordered to reduce its investment budgets and operating costs, increase telephone tariffs, and make other changes to lessen its financial burdens.5

One of the most important economic reforms requiring high-level government intervention throughout the period of the Prem and the later Chatichai government was the privatisation of state enterprises.6 As mentioned earlier, the fifth NESDP and a series of cabinet decisions were used to ensure quick and effective outcomes on this front. The immediate objective was to reduce the state's financial burdens by improving SOE efficiency and adjusting the prices of services to cover interest and loan payments. Furthermore, privatisation of large state enterprises was intended to rid the government

5 In exchange for this adjustment program, the government agreed to exempt the TOT from making an annual contribution of its profits to the Ministry of Finance during 1986-87. It was later restored to about forty percent in 1988-1990. See details in Cabinet Resolutions, 16 April 1985; 26 November 1985; 25 February 1986; and 10 June 1986.

6 Apart from the privatisation policy, government economic reforms included promotion of export-oriented industries during the 1980s, baht devaluation between 1981 and 1987, reduction of the import tax on raw materials and commodity goods, and investment promotion. These reforms helped pull Thailand out of the economic doldrums as well as attracting investments from overseas (Pasuk, 1989).
of its debt burden in the long run and solve the problem of inadequate investment capital. There was in fact a slight shift in the government's privatisation policy. The Prem cabinet initially decided to privatisate only the agencies in areas other than public infrastructure, but this policy was later modified to include nearly all inefficient state enterprises.7 Towards the end of the Prem government, another national plan (the Sixth NESDP: 1987-91) was formulated and inaugurated, with the continuing aim of economic reforms and deepening the privatisation policy further as the role of the private sector increased.8

While privatisation under the Prem government took many forms in many categories of state enterprises, the government was not very successful at that time in implementing large-scale privatisation of the major state enterprises responsible for public infrastructure provision. Most of the SOEs dismantled and privatised were either small businesses with a small number of employees or unprofitable enterprises unlikely to survive by themselves.9 In contrast, privatisation of the major state enterprises engaging in public utilities like the State Railways and TOT was very limited in scope and in most cases deemed trivial by the public.10

The failure to privatise the latter can be explained by the combined effects of the political instability afflicting the Prem government and the politics of privatisation of major state enterprises, particularly the TOT, the Port Authority of Thailand, and the State Railway of Thailand. As the political and economic reforms undertaken by the

7 A series of government policies were later added to carry out SOE reforms, including the shift from overseas loans to domestic borrowings from 1984 onwards. By the end of the 5th Plan, 85 SOEs were privatised, of which 33 were terminated, 26 partially privatised, 16 merged, 3 contracted out to the private sector, and 7 privatised in other forms. See Snoh (1986) and Cabinet Resolutions, 18 October 1983; 3 January 1984; and March 1985.
8 Privatisation laid out by the 6th Plan included inter alia promotion of private participation, maintaining only income-generating SOEs and those providing public services, and contracting out the SOEs and encouraging their joint ventures with the private sector (Issara, 1989).
9 For example, those dismantled were tiny organisations like the Gunny Bag Factory, the Mining Organisation, and Cholburi Sugar Co. Meanwhile, joint ventures with the private sector were limited to unprofitable businesses like a souvenir shop (the Narai Phand) and hotels (e.g. Kho Yai Hotel). See the list of privatised SOEs in Krayudth, 1990b: Table 12, p.66.
10 For instance, the private sector was allowed to provide cleaning services (the Tobacco Monopoly, the Airport Authority of Thailand, and the Petroleum authority of Thailand), catering services (Thai Airways and the State Railway of Thailand), and transport services (the State Railway of Thailand and the Bangkok Metropolitan Bus Authority). Idem.
Prem government gradually transformed Thailand into a more democratic regime, with an increasing role for business in most economic areas, the government was confronted with opposition and attacks from established organisations and interests. Besides facing two abortive coups, the government experienced threats from the military of more coups, as well as withdrawal of support by various political parties, and national strikes by labour unions. Because of these political uncertainties, Prem developed a strategy of balancing support from the bureaucrats (including military leaders) on the one hand and politicians on the other (Likhit, 1992). Because of these political constraints, the government was not in a strong position to counter major challenges or deal with controversies that could potentially break up such valuable political support; nor could it afford to allow any incidents that might provide a pretext for military intervention. Meanwhile, many state enterprises like the TOT attracted key political players and interests to their side, including military leaders and politicians, in the politics of privatisation. The connections between national politics and the politics of privatisation meant that the government required unambiguous political clout at the national level as a prerequisite for privatising these organisations. The politics of privatisation of state telecommunications agencies must now be examined to find out why telecommunications reforms during the Prem government did not move far.

B. Privatisation of Telecommunications Agencies: the TOT and CAT

Throughout the life of Prime Minister Prem's government, the regulatory reform of the telecommunications sector lagged behind all other economic programs drawn up by the government. That does not mean there was no serious effort to remove state regulations blocking private participation in the telecommunications industry. On the contrary, the Prem administration moved many times as far as approving legal amendments to abolish the TOT's monopoly and paving the way for private participation. As early as January 1985, Samak Sundharavej, the leader of the Prachakornthai Party and Transport and Communications Minister, proposed that the cabinet set up a committee to restructure communications agencies like the Telephone Organization of Thailand, the Communications Authority of Thailand, and the Post and Telegraph Department, and
also carry out regulatory reforms.\textsuperscript{11} This was the first attempt to separate the operational tasks of telecommunications agencies from their regulating functions and to define the boundaries of each telecommunications agency before privatisation took place. Not only did politicians take bold steps towards privatising state telecommunications agencies, but so also did technocrats in the major policy-making bodies, especially the National Economic and Social Development Board (NESDB), which pushed the issue forward through the Council of Economic Ministers (CEM) and later to the cabinet.\textsuperscript{12}

During its meeting in April 1985, the cabinet agreed with recommendations forwarded by the CEM to allow private participation in telephone projects. Because the law monopolised telecommunications services to the state, the Ministry of Transport and Communications was asked to coordinate with the Prime Minister's Office and other related agencies to amend the law. At the same time, the TOT was directed to increase as much as possible private participation in its long-delayed corporate plan of 1977-84.\textsuperscript{13}

The cabinet's decision to relinquish the state monopoly over telecommunications, the first time a Thai government had ever propagated such an idea, involved only high-level political organisations and a few bureaucratic agencies, but without the consent of the state enterprises or participation by labour organisations. Basically, it was a top-down approach, characteristic of the power structure during the Prem government. While the military and other bureaucratic agencies played major roles in security matters, the technocrats and political parties shared political power in economic-policy making, with Prem serving as the go-between. As long as the technocrats and political parties could reach a compromise and their positions were identical, a major policy decision could be reached with ease. As the technocrats from key bureaucratic agencies were determined to reform Thailand's backward economic sectors in accordance with liberal economic policies, their position readily served the politicians, whose aim was to reduce bureaucratic power while increasing the role of business in the public domain. Hence,

\textsuperscript{11} Cabinet Resolution, 10 January 1985.
\textsuperscript{12} The NESDB served as Secretariat to the CEM. Therefore, it was in an ideal position to set the agenda for meetings and provide information and suggestions to the Prime Minister and economic ministers.
\textsuperscript{13} Cabinet Resolution, 16 April 1985.
when the committee revising the Telegraph and Telephone Act 1934 finished its task, the cabinet sanctioned the amendment and submitted the bill to parliament for final approval in 1985.\textsuperscript{14} However, owing to political difficulties, the parliament was dissolved in early 1986 before the bill was set for voting.\textsuperscript{15}

The reform attempt did not end with the House dissolution. Its spirit was carried on by the subsequent government, again headed by Prem. After a general election, Prem came back as non-elected Prime Minister; the new government consisted of politicians, many of whom served in the previous cabinet. Because the chemistry was more or less the same, the cabinet once again backed the Ministry of Transport and Communications in its efforts to carry out the legal amendments and its privatisation programs. The second revision of the telecommunications bill was finally approved in late 1986 and once again submitted to the House Coordination Committee of Parliament.\textsuperscript{16} However, the bill faced strong opposition from labour organisations as well as the military, which supervised state telecommunications agencies. Because of a threat of a nation-wide strike by labour unions and open public criticism by the military, the cabinet decided to withdraw the draft bill in order to solve the political crisis. The same situation repeated itself in August 1987 when the government was forced for the second time to revoke its decision.\textsuperscript{17}

These unwilling withdrawals of the draft legal amendments indicated that anti-reform elements were so powerful that if the government carried out the reform it would suffer undesirable political consequences. Although the initial support from political parties and the technocrats was sufficient to gain cabinet approval for regulatory reforms without much trouble, this support was inadequate to overcome resistance from the anti-

\textsuperscript{14} Cabinet Resolution, December 1985.
\textsuperscript{15} The dissolution was mainly caused by factionalism and internal conflicts in the Social Action Party (SAP), a major coalition partner with 101 MPs. After the departure of Kukrit Pramoj, none of its other leaders could manage to satisfy the demands for political positions of its nine major factions. The party's breakup then led to the collapse of the government (Ockey, 1992).
\textsuperscript{16} Cabinet Resolution, 16 October 1986 and 4 November 1986.
\textsuperscript{17} Cabinet Resolution, August 1987.
reform interests elsewhere. It is therefore necessary to ask, who contributed the pro-reform and anti-reform coalitions? And what influence did they have on the politics of telecommunications reform? The pro-reform coalition included, inter alia, the Ministry of Transport and Communications, the NESDB, the Ministry of Finance, and political parties. The Ministry, when headed by politicians, would assume the role of leading actor pressing for liberalisation and privatisation of telecommunications agencies. The NESDB and the Ministry of Finance, which were powerful economic policy-making bodies, joined forces to pressure the TOT to allow private participation in telephone and other telecommunications projects. The combined effort of these bureaucratic organisations, endorsed by the political parties participating in the government, produced a coalition promoting privatisation of the telecommunications industry (see Table 3.1).

While a handful of bureaucratic agencies responsible for economic policy-making formed the core group of the pro-reform coalition, several other bureaucratic organisations formed an alliance opposing such policy reforms. The anti-reform coalition consisted of the military, TOT and CAT boards, and labour unions. This alliance was based on the shared interests generated by the military's control of the state enterprises in collaboration with SOE officials and labour unions. Military leaders had benefited from the chance to become board chairmen of the TOT and CAT, making the claim that telecommunications infrastructure and national security were closely linked. Meanwhile, bureaucrats from the TOT and CAT benefited from the economic rent shared and protected by the military. Labour was also instrumental in putting pressure upon the government not to change the status quo enjoyed by military leaders and SOE officials and unions. What labour gained from maintaining the existing system was access to hefty welfare and fringe benefits offered by SOE executives.

Now we turn to the political infighting between the pro-reform and anti-reform coalitions in the telecommunications sector to see how the politics of privatisation was shaped.
Table 3.1: The Pro-reform and Anti-reform Coalitions
(Prem Government)

<table>
<thead>
<tr>
<th>Coalition</th>
<th>Objective</th>
<th>Organisation &amp; Interest Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pro-reform</td>
<td>Private participation</td>
<td>MOTC, NESDB, MOF, Political parties</td>
</tr>
<tr>
<td>Anti-reform</td>
<td>State monopoly</td>
<td>The military, TOT &amp; CAT, Labour unions</td>
</tr>
</tbody>
</table>

3.1.2 The Pro-reform Coalition

The economic reforms undertaken during the Prem administration were largely shaped by two major technocratic agencies, the NESDB and the Ministry of Finance. These two organisations assumed the leading roles in setting reform agendas and mobilising political support from their most important ally, Gen. Prem Tinsulanondha. In spite of the strong support given by political parties in many reform measures, the parties were in most cases merely passive partners whose role in policy-formulation at this time was minimal compared to their active part in the policy implementation process. Their skills in negotiating compromises and their pragmatic approach to policy issues enabled them to make the privatisation of telecommunications agencies possible even though progress towards deregulation was stalled.

The NESDB. Among the major policy-making bodies, the National Economic and Social Development Board was the most important actor. Apart from its central function of formulating the five-year plans, the NESDB played a crucial role in all economic areas during the eight-year period of the Prem administration. Because of its dual roles as policy-planning agency and Secretariat to both the Council of Economic Ministers (CEM)\(^{18}\) and the Joint Public-Private Consultative Committee (JPPCC), the

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\(^{18}\) The CEM was formed in 1980 as the inner cabinet supervising national economic policies and their implementation. It was given new life after 1983 when Prime Minister Prem chaired the meetings himself. Since then the CEM has served as Thailand's most important economic-policy making body.
Board combined the tasks of policy planning and policy making together. As Secretariat to the CEM, the Board screened the agenda and set priorities on issues to be reviewed. Because of its long experience in policy planning and good collection of information in all areas of the Thai economy, the board could easily push forward its own agendas and exact influence on policy outcomes. As constant changes in the government's coalition and conflicts among political parties prevented any party from dominating the CEM, the NESDB gained more effective political clout than was apparent (Chai-Anan, 1989b).

More importantly, the role of the development board was closely tied to the role the Prime Minister played as chairman of the CEM.¹⁹ Because of his neutral position free from the political parties' interests, the information prepared by the Board was aimed at Prime Minister Prem as the key figure, rather than the politicians serving in the Council. Because of his influential roles in both bodies, the Board later assumed the monitoring role over government economic policies to ensure as little political intervention as possible from political parties.

Owing to its key role in the CEM, the Board then used the Council as a political mechanism to carry out economic reforms, particularly the privatisation of public enterprises and liberalisation of Thailand's economy. Because Prime Minister Prem chaired both political bodies and all members of the former were represented in the latter, approvals from the CEM were equal to authorisation from the cabinet. In view of its special role and status, the NESDB was in an ideal position to set priorities regarding the economic issues to be considered by the government as well as to follow up on policy implementation by various state agencies. Many of the cabinet resolutions to privatise the telecommunications sector discussed earlier were actually proposed by the Board through the CEM. The special leverage of the NESDB, supported by the Prime Minister, increasingly caused conflicts between the Board and other government bodies.

¹⁹ Prime Minister Prem himself played a key role in reconciling conflicts, making compromises, and drawing out conclusions after extensive debates. In the end the resolutions adopted were submitted for acknowledgment by the cabinet.
agencies, since the former imposed many reform programs upon the latter (Chai-Anan, 1989b).

Together with the CEM, the Joint Public-Private Consultative Committee (JPPCC)\textsuperscript{20} was also used by the board as a political mechanism through which economic reforms were initiated or implemented. Besides providing the Secretariat to the CEM, the board also served as the Secretariat to the Joint Committee, set up early in the Prem administration. Although it was created as a consultative body, the JPPCC actually served as an active venue for business where economic policy was formulated, shifted, and also approved.\textsuperscript{21} While business played an active role in the committee, the NESDB also played a part in manipulating business support for its own agendas. The government perceived the JPPCC as a communications channel through which better cooperation from business in government economic policy could be obtained. As Secretariat to the committee, the NESDB was responsible for preparing agendas and coordinating all the government agencies and business organisations concerned. It was common for the committee's recommendations to be submitted to the CEM for consideration, after which the resolutions would be given approval by the cabinet.

By virtue of its influential position in both the CEM and the JPPCC, support from the Board was crucial to the progress of any economic proposal. In these circumstances, the success of any matter depended heavily on common ground being reached between business and the board. In theory, the NESDB set meeting agendas by articulating proposals from the three peak business associations, but in practice the NESDB was given a relatively free hand in preparing the agendas according to its priority objectives.

\textsuperscript{20} The JPPCC was the official venue for high-level meetings between the government and business, represented by the Thai Bankers Association, the Thai Chamber of Commerce, and the Federation of Thai Industries. Through this mechanism, the business sector was provided an opportunity to present its views on issues related to the national economy.

\textsuperscript{21} Anek (1989) called the state-business relationship in the JPPCC 'liberal corporatism' whereby a corporatist arrangement between the state and business was established in spite of a high degree of business autonomy. This autonomy was maintained provided there were other channels through which business interests could be expressed or expanded; business support for political parties and its direct political participation were still allowed.
The privatisation of telecommunications agencies was among the economic agendas on which business received strong endorsement from the board.22

The MOF. The NESDB was not the only bureaucratic force pushing for privatisation and regulatory reforms; the MOF was another key economic-policy body promoting the policy reforms supported by financial and monetary policies. The Ministry of Finance (including the Bank of Thailand), long oriented towards conservative fiscal and monetary policy, introduced the foreign debt ceiling as well as other austerity measures in the face of the economic recession. A debt service committee was set up to allocate foreign borrowings among government agencies in compliance to the debt ceiling. Because foreign debts incurred by state enterprises amounted to more than half of the total foreign debt of the public sector,23 the government's loan guarantees to state enterprises would be made only after approval was given by the debt service committee. Since a large proportion of SOE investment budgets came from overseas loans, the reduction of foreign borrowings was expected to significantly ease the burden of total public foreign debts. After the foreign debt ceiling was imposed, foreign borrowings by major state enterprises had significantly declined from 17 billion baht in 1986 to just over one billion baht in 1988. Conversely, domestic loans had jumped significantly during the same period (Table 3.2).

Among the 18 major state enterprises, the TOT was one of the major concerns of the technocrats due to its high level of debt;24 hence, it was a primary target for swift privatisation. When as much as 30 percent of the total public debt in 1986 was incurred by the TOT, the cabinet ordered the debt service committee to regulate the TOT's borrowings and help adjust its investment plan. Moreover, the cabinet directed the TOT to allow private participation in its telephone projects and urged the Ministry of

22 The Thai Chamber of Commerce succeeded in making telecommunications issues an urgent agenda item for JPPCC meetings. See Matichon, 23 and 26 July 1985.
23 The proportion of SOE debt to the total public debt increased from 51 percent in 1981 to 61, 59, 63, 52, 73, and 88 percent during 1982-87 respectively. See Kraiyudht (1990b: Table 10).
24 In 1986, for example, the TOT became the fifth largest debtor among all major SOEs when its debt reached 27 billion baht compared to its assets of 32 billion baht (Kraiyudht, 1990b: Table 7, p.60).
Transport and Communications to proceed with the amendment of telecommunications laws.25

**Table 3.2: Investment Capital of State Enterprises**

<table>
<thead>
<tr>
<th>Sources of Capital</th>
<th>1986</th>
<th>1988</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>All SOEs&lt;sup&gt;1&lt;/sup&gt;</td>
<td>18 Major SOEs</td>
</tr>
<tr>
<td>Investment Capital&lt;sup&gt;2&lt;/sup&gt;</td>
<td>36,536</td>
<td>28,781</td>
</tr>
<tr>
<td>1 Revenues</td>
<td>13,402</td>
<td>12,862</td>
</tr>
<tr>
<td>2 Government Budget</td>
<td>922</td>
<td>822</td>
</tr>
<tr>
<td>3 Loans</td>
<td>21,988</td>
<td>21,677</td>
</tr>
<tr>
<td>- Domestic Loans</td>
<td>4,635</td>
<td>4,374</td>
</tr>
<tr>
<td>- Foreign Loans</td>
<td>17,353</td>
<td>17,302</td>
</tr>
<tr>
<td>- Debt Instruments</td>
<td>233</td>
<td>233</td>
</tr>
<tr>
<td>4 Subsidy, etc.</td>
<td>233</td>
<td>233</td>
</tr>
</tbody>
</table>

Notes: 1. Excluding the Bank of Thailand, Bangchak Petroleum, and Petroleum Exploration and production Co.
2. Unit in million baht
Source: Translated and Modified from Kraiyudth Dhiratayakinant (1990b), Table 7, p.61

**Political Parties.** While the technocrats played the leading role in forging privatisation policy, various politicians played vital roles in putting the policy into practice. Two of the most important politicians involved in giving birth to the privatisation of the telecommunications sector were Samak Sundaravej, the leader of the Prachakorn Thai Party, and Banharn Silpa-archa, Chat Thai Party's secretary-general, both of whom served as Transport and Communications Minister during the Prem administration. Both men were renowned for their policies of promoting large-scale infrastructure development and they alternated several times as head of the Ministry of Transport and Communications (MOTC) under the Prem administration and the subsequent Chatichai government. Under Prem, the various attempts to reform and privatise the telecommunications industry owed much to the MOTC under the directives of these two politicians. Both of them had incentives and political commitments in favour of infrastructure development and the promotion of business interests. Samak

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<sup>25</sup> Cabinet Resolution, 10 June 1986.
was a popular political figure whose constituency was based in Bangkok's lower and middle class areas. Samak and the Prachakorn Thai Party built up their political support on Samak's decisive actions and his policy of infrastructure development such as highway projects, and measures to solve the traffic gridlocks in Bangkok. Samak, whose ideas were often ahead of those currently prevailing, always came up with new proposals to develop large-scale projects such as satellite communications and Bangkok's ring-road system; but only a few of his ideas were actually implemented during his period of office. In contrast, Banharn, whose constituency was in Suphanburi, a small province northwest of Bangkok, was well-known for turning Suphanburi into a modern country town through extensive infrastructure expenditures. This experience, bolstered by the Chat Thai Party's business orientation and his own business background, led to a policy of increasing business participation in infrastructure development.

Both Samak and Banharn, while ministers, actively explored ways and means to increase private participation in telephone and other telecommunications projects. In doing so, both politicians relied heavily on local business firms as well as foreign organisations, whose ideas and investment proposals made privatisation possible. Therefore, communications channels to the Minister were readily opened for businesses interested in infrastructure investments. Since the private telecommunications sector was initially very small, almost non-existent, because of the state monopoly, business lobbying for privatisation came at first mainly from foreign companies. For example, Bell Canada proposed to Samak in 1984 to set up a new company to build and operate a telephone system targeted at business customers in Bangkok. Despite Samak's support, however, the project could not get off the ground owing to the Juridical Council's interpretation that such an operation would violate the Telegraph and Telephone Act 1934 and the Telephone Organisation Act 1954.26 In the same manner, British Telecom

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26 Both laws gave monopoly rights over telephone operations to the TOT. Details of Bell Canada's proposal and the development of the event were recorded in October and November 1984, MOTC documents.
approached Banharn to work as consultant for privatisation of the TOT and proposed a joint venture to invest in telephone projects and provide value-added services.27

Even though the legal interpretation adjudicated by the Juridical Council curbed Samak and Banharn from pursuing the privatisation of telephone projects, it could not stop them from kicking off private participation in smaller but less controversial projects; value-added services became their test cases. The first privatised telecommunications project was a paging service, introduced in 1986 under a Build-Transfer-Operate (BTO) formula by the Communications Authority of Thailand (CAT), an experiment directed by Samak as a first step towards privatisation.28 The smooth success of the first project represented a legal and psychological breakthrough for the new form of privatisation.29 The first paging service thus set a precedent for many more value-added projects privatised during the subsequent government.

3.1.3 The Anti-reform Coalition and the Politics of Privatisation

Opposition to the privatisation of telecommunications agencies revolved around two institutions, the military and labour, whose interests in preserving the status quo converged. The military's involvement in telecommunications politics stemmed from its central role in providing protection and political support to the Prem regime. In exchange, the military was allowed a presence in major state enterprises deemed essential to national security. Moreover, internal and external threats to Thailand during the 1980s were used to justify the military's control of key agencies responsible for public utilities. State enterprise labour unions whose direct concerns were mainly 'bread and butter' issues arising out of ownership transfers were the other main opponents of the

27 See Naew na, 2 February and 8 August 1987
28 It was widely known that senior MOTC technocrats were the ones who came up with the idea. This idea was supported by Samak and later Banham as the best practical means to avoid violation of the telecommunications laws.
29 Learning from past experience, Samak, in collaboration with MOTC technocrats, avoided sending the proposal to the Juridical Council for another ruling on its legality. It was understood that as long as the issue was not raised by the MOTC, no such interpretation would be made; hence, the project would be saved from being ruled as illegal. Interviews with senior MOTC officials and an executive of the Telecommunications Association of Thailand.
government's plans. Because of their mass membership, SOE labour unions became the focal point of public resistance to the government's privatisation program.

**The Military.** The military's political power stemmed in part from the character of the Prem government, which depended on support from both the military and political parties for its survival. Factionalism within the military and occasional explosions from its internal rivalries made the military an unstable political force at the time. On the other hand, the weakness of the political parties and their constant power juggling limited the extent to which Prem could rely on them. Prem was able to remain in power for eight years through his ability to balance support from bureaucrats and the military on the one hand against political parties on the other. Political support from the military was based on the large number of senators nominated by the military. The majority of the appointed-senators comprised mainly senior military officials and government bureaucrats while the rest was formed by academicians, labour leaders, and businessmen. Owing to the need for support from the military, Prem allowed it to take charge of national security matters and appointed key military figures, e.g. Gen. Arthit Kamlang-ek, Gen Pak Meenakanit, Gen. Jaruay Wongsayan, as heads of the boards of major state enterprises such as the TOT.

Telecommunications was initially perceived by the military as a matter of national security; hence the state was pressed to maintain a monopoly in all such operations. Besides preserving its influence in the highly-valued organisations like the TOT and CAT from which material resources could be tapped, the military believed it was necessary to control information flows deemed crucial to national security and the modernisation of the Thai state. This mentality reflected the military's conception of its role as guardian of both security and the economic development of Thailand. Because of this conception, the military occasionally ran into conflict with politicians and the technocrats when the

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30 The military was then divided into three major factions: the Young Turks; the Democratic Soldiers; and the more conservative faction. These conflicts led to two abortive coups in 1981 and 1985. See detailed analysis of military conflicts in Suchit (1987).
issue of privatisation arose. During a discussion on a proposed pager project prior to its approval in 1986, the military representatives disapproved of private participation in the project for fear that communist operations would be aided by this technology.\(^{31}\) When conflicts between the military and the technocrats or politicians escalated, the issue had to be forwarded to the cabinet for a final decision. As an example, when the Ministry of Finance forced the TOT to increase its telephone tariffs by 20 percent in exchange for a foreign loan guarantee, Gen. Arthit Kamlang-ek, the Army Commander-in-Chief and TOT board Chairman, was afraid that such action would discredit the military in the eyes of the public and could undermine his chance of becoming the future Prime Minister; so he rejected the idea. Since Samak, as MOTC Minister, could not pressure Gen. Arthit to agree to the idea, he decided to seek support from the cabinet to force the TOT to follow the Ministry of Finance's recommendation.\(^{32}\)

Following incessant government pressure to bring in private participation and the TOT's lack of funding as a result of the government's debt ceiling and other austerity measures, the military gradually shifted its position in favour of limited private participation. Several times military representatives in the TOT floated the idea of private participation in small TOT projects.\(^{33}\) The success of the first BTO project implemented by the CAT in 1986 discussed earlier, and its tangible benefits in the form of revenue-sharing with a private consortium convinced the military of the benefits to be gained from allowing private participation in TOT projects. According to one analysis, the change of heart of the military was attributed to a compromise reached between politicians supervising the MOTC and the military on how to share the interests generated from privatisation.\(^{34}\) Therefore, a working group was set up to work out a joint venture between the TOT and the private sector to develop telecommunications

\(^{31}\) Interview with a former CAT board director, 5 March 1993.
\(^{33}\) As early as 1983, Maj. Gen. Sombat Makasathien, TOT Managing Director, accepted that private participation was inevitable and that the TOT was ready for joint ventures with the private sector. See *Warasan setthakit lae sangkhom haeng chat*, 20:4 (May-June 1983).
\(^{34}\) This analysis is the view of a senior CAT official, 24 February 1993.
infrastructures as part of the Eastern Seaboard (ESB) development programs.\textsuperscript{35}

However, the project was once again halted because of strong resistance from labour, which became the only major opponent to private participation following the military’s shift of position.

\textit{Labour.} Of all non-state actors, labour was the most powerful pressure group during the Prem government. Major issues involving labour action were privatisation of State-Owned Enterprises (SOEs), labour relations, and issues related to welfare and other benefits. Because most SOE employees were members of their workplace unions in the country, which formed the largest labour unions, SOE labour unions dominated the labour movement in Thailand.\textsuperscript{36} This situation was very much different from the fragmented and less organised labour unions in private firms. Because of this aspect of labour organisation in Thailand, privatisation became a major concern of the peak labour organisations. Within labour’s rank and file, TOT and CAT labour unions were prominent as both were large organisations with more than 10,000 members each. The CAT and TOT housed the third and fourth largest labour unions in Thailand, each of which had as many as 10,269 and 10,177 members respectively (see Table 3.3). The two unions combined would make telecommunications unions the largest group of all state enterprise unions. More often than not, the leader of the TOT or CAT unions also served as the leader of the State Enterprise Relations Group, an informal pressure group represented by major state enterprise unions.\textsuperscript{37}

\textsuperscript{35} See \textit{Phujad karn}, 5 October 1987.

\textsuperscript{36} State enterprises were among the largest employers in Thailand. In 1986 they employed around 250,000 employees. The average percentage of SOE employees joining unions was as high as 85-90 percent, compared to only 20 percent in the private sector (Nikhom, 1986).

\textsuperscript{37} For instance, Watthana Iambamrung, the CAT union leader, also served as the leader of the State Enterprise Relations Group in the 1980s. In spite of its unofficial status, the State Enterprise Relations Group served as the most powerful labour organisation in Thailand aiming to protect labour interests, particularly on the issue of privatisation and labour relations. It was made an ad-hoc grouping in order to prevent dissolution through government intervention.
Table 3.3: Ten Largest Labour Unions in Thailand in 1985

<table>
<thead>
<tr>
<th>Labour Unions in Ranks</th>
<th>Union Members</th>
<th>Total Employees</th>
<th>Percentage of Union Membership</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Railway of Thailand</td>
<td>12,887</td>
<td>27,000</td>
<td>47.73</td>
</tr>
<tr>
<td>Electricity Generating Authority of Thailand</td>
<td>10,498</td>
<td>20,111</td>
<td>52.20</td>
</tr>
<tr>
<td>Communications Authority of Thailand</td>
<td>10,269</td>
<td>16,000</td>
<td>64.18</td>
</tr>
<tr>
<td>Telephone Organization of Thailand</td>
<td>10,177</td>
<td>12,000</td>
<td>84.80</td>
</tr>
<tr>
<td>Bangkok Mass Transit Authority</td>
<td>9,172</td>
<td>24,612</td>
<td>37.26</td>
</tr>
<tr>
<td>Metropolitan Electricity Authority</td>
<td>8,479</td>
<td>10,250</td>
<td>82.72</td>
</tr>
<tr>
<td>Provincia Electricity Authority</td>
<td>7,488</td>
<td>19,863</td>
<td>37.69</td>
</tr>
<tr>
<td>Bangkok Bank</td>
<td>6,281</td>
<td>12,000</td>
<td>52.34</td>
</tr>
<tr>
<td>Krung Thai Bank</td>
<td>6,092</td>
<td>8,200</td>
<td>74.35</td>
</tr>
<tr>
<td>Tobacco Monopoly</td>
<td>5,191</td>
<td>8,000</td>
<td>64.88</td>
</tr>
</tbody>
</table>

Source: Department of Labour

The most effective means employed by the TOT and CAT unions to stop the privatisation policy were strikes and work stoppages, which had proved successful in their previous demands for wage increases and a better welfare system.\(^{38}\) When the privatisation policy was approved by the government, the unions decided to use their weight of numbers to block such an effort. No sooner had Bell Canada proposed to Samak to build and operate a telephone system in Bangkok, than the unions from both agencies joined up to form the 'Confederation of Telephone and Telecommunications Unions' to pressure Samak and the technocrats from the Ministry of Transport and Communications to drop the project.\(^{39}\) In a like manner, a large protest by CAT unions erupted on 19-22 February 1985 in response to Samak’s proposal to separate postal from telecommunications services and his approval for private investment in value-added telecommunications projects.\(^{40}\) When a legal amendment was drafted to abolish the monopoly of the TOT and CAT and was approved by the Cabinet in November 1986, the State Enterprise Relations Group launched large-scale protests that would have severely disrupted the whole economy. As a consequence, the government retreated and

\(^{38}\) See details of a major strike by CAT unions in *Thai rath*, 12 December 1981. Although strikes did not take place often, job slowdowns were more common as a means to pressure the government. 

\(^{39}\) *Prachachart thurakit*, 9 January 1985.

\(^{40}\) See *Vivar* 1:60 (2-8 March 1985).
the legal amendment was temporarily delayed, although it was revived months later. In the last political showdown between the Prem government and labour in 1987 the government once more postponed an amendment to the law to prevent a nationwide strike after a futile meeting between Minister Banharn and leaders of the TOT union.

The effectiveness of labour pressure lay not only in its numbers and offensive strategy, but it was also derived from the potential for political crisis arising out of mass protests. As Prem required all the support he could get from both the military and political parties, public unrest might have provided an excuse for the military to intervene and assume power. Moreover, the two attempted coups in the past had provided warnings for Prem that his political position would not survive any escalation of such a crisis. Mass protests by labour unions would at the minimum arouse public dissatisfaction and reduce the government's popularity. In some cases, however, the military would intervene by acting as mediator between the government and labour. If the government then made concessions to avoid a political crisis, the military would be given the credit for its mediating role. Strange as it may seem, key military leaders, who also held the chairmanship or directorship positions in the TOT and CAT boards, stepped in to mediate conflicts between the labour unions and the government. If the military disagreed with the privatisation of both telecommunications agencies, labour protests and subsequent military intervention could have been interpreted as premeditated action. Conversely, if the military supported privatisation, its intervention could have worsened the situation due to the military's conflict of interest. Either way, the outcome would be undesirable to an unstable government; the former could lead to a military takeover whereas the latter could result in political crisis and violence. This consideration compelled the Prem government to backtrack after the labour showdown.

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41 *Ban Muang*, 16 December 1986.
43 Gen. Arthit Kamlang-ek, for example, took control of both the army and the Capital Security Command. The latter position allowed him to intervene in any action required in order to maintain law and order in Bangkok.
3.2 The Chatichai Government and the Growth of BTO Schemes

3.2.1 The New Political Economy and the Politics of Regulatory Reforms

The end of the semi-democratic regime after Prem's dissolution of parliament and his retirement from politics in 1988\(^44\) had an important bearing on the power equation and the nature of the political regime that followed. The change in political regime from a quasi-democratic to a more fully democratic party-based system, coupled with the rapid economic growth and a renewal of confidence in the Thai economy, contributed to the fast-expanding role of business supported by the government's drive towards economic liberalisation. Buoyed by the rise of business and political parties, the pro-reform coalition in the telecommunications industry became much stronger and more active. Within this political economy context, BTO schemes previously adopted only once, in Prem's last years, proved to be the most practical means to implement privatisation and incremental liberalisation programs.

The rise of the Chatichai government marked the ascendancy of political parties and business at the expense of the military and dominant technocratic agencies, particularly the NESDB. Although holding the rank of a general, Chatichai Choonhavan, the first-elected Prime Minister since 1976, was a long-time politician who had served as a military official, diplomat and businessman before heading the business-oriented Chat Thai Party.\(^45\) When the coalition government was formed, the key security and economic portfolios were fully controlled by elected politicians in contrast with the

\(^{44}\) Prem decided to dissolve parliament in May 1988, only two years after the 1986 general election following threats of a censure debate targeted at Prem himself. When the government failed to block the censure motion in the lower House, Prem opted for a new election rather than let his private life be exposed in public. Since the public then demanded an elected Prime Minister, Prem decided not to run for election, choosing instead to quit politics after the election by declining to head a coalition government.

\(^{45}\) This party had a long history of close relations with industrial capital, such as the textile and petrochemical industries. Moreover, Chatichai Choonhavan and Pramarn Adireksan, Chatichai's brother-in-law and former Chat Thai leader, were members of the Rajakru group which had held extensive political and economic interests since the Phibulsongkram government.
previous bureaucratic domination of these ministries. Whereas the Prem government had been characterised by the sharing of power and functions between the bureaucracy and political parties, the Chatichai government demonstrated the growing power of political parties seeking to wind back the power of the bureaucrats. In economic-policy making, the Chatichai government curtailed the policy-making functions of the NESDB and made it strictly a policy-planning body. To further reduce the power of the development board, the importance of the Joint Public-Private Consultative Committee (JPPCC), the formal channel for government-business contacts, was significantly played down. Instead of proceeding through the board and the JPPCC mechanism, direct access by business to cabinet members and political parties was provided. As a consequence, business was able to expand its political role in articulating its interests and influencing the economic policies of the Chatichai government through contacts with cabinet ministers and leaders of political parties. One major issue promoted by business was privatisation, which was to be carried out in earnest by this government.

The change in Thai politics was accompanied by a dramatic shift in Thailand's economic situation. The economic recession which had shaken the country since the late 1970s gave way to the rapid recovery in the late 1980s that turned into an unprecedented economic boom, due partly to the previous reform measures, partly to an influx of foreign investment and rising world demand. Thailand's economic growth reached double-digit level during 1988-90, when Chatichai headed the government. The economic boom greatly increased foreign exchange reserves and helped improve the debt-service ratio and the overall economic health of the government. The financial improvement led to a jump in government expenditure on infrastructure projects after 1988 to a level above that invested in 1983 for the first time (Table 1.1, Chapter One). However, as investment outlays to solve infrastructure problems during the 6th NESDP

46 Under the Prem government, key portfolios like the Ministry of Defence, Ministry of Interior, Ministry of Foreign Affairs, and Ministry of Finance were controlled by Prem himself or his appointees, most of whom were senior bureaucrats and military officials.

47 As the reserves increased from US$ 5.2 bil in 1987 to 7.1, 10.5, and 14.3 bil during 1988-90, the debt-service ratio declined from 16.7 percent of export earnings in 1987 to 12.5, 10.0, and 8.4 percent during the same period (Medhi, 1993).
(1987-91) required a sharp increase in investment capital, 76 percent higher than the amount invested during the 5th plan (see Table 1.4, Chapter One), the government was not able to fund all the projects from its budget despite its much improved financial position. This constraint further justified the government's reliance on private funding for large-scale infrastructure investments. Privatisation was no longer just a desirable policy alternative; it was at this time becoming also a necessity for Thailand's economic future.

Increasing public acceptance of privatisation during the 6th NESDP, following examples of different means of privatisation short of private takeover of public enterprises, contributed to an upsurge of private participation in government projects. Privatisation during the Chatichai government was carried out in three major forms. First, subsidiary companies were set up by leading state enterprises which had already undergone internal restructuring; the Electricity Generating Authority of Thailand and the Petroleum Authority of Thailand, for example. Second, private participation in the forms of leasing, contracting out, and partial joint ventures with the state were increasingly implemented by the TOT, the CAT and the State Railway of Thailand. Third, partial or total privatisation through divestiture and the selling of shares was also introduced in some organisations, such as Thai Airways International.

With reference to telecommunications, not only did the Chatichai government carry on the privatisation policy of the previous government, it also moved forward by reducing the existing powers of the TOT and CAT through a proposal to separate the regulatory powers from the operational functions of the two agencies. A new communications law was then drafted in an effort to set up a communications commission as the new regulator.\(^48\) However, a parliamentary vote on the bill was once again postponed following strong opposition from labour unions and a lack of understanding from the public. Shortly after this setback, Montri Pongpanich, the new

\[^{48}\text{See the draft Communications Act, Ministry of Transport and Communications, dated 30 June 1989.}\]
Transport and Communications Minister, came up with an even grander scheme to restructure the whole of his ministry by splitting the telecommunications-related functions from transport-oriented organisations; hence, the ministry would be replaced by two new ministries.\textsuperscript{49} This idea reflected the realisation by politicians of the increasing importance of telecommunications. In pursuit of this new plan previous revisions of the telecommunications laws were relatively small compared to the restructuring of the whole Ministry; hence further attempts at legal amendment were temporarily suspended. By the time the detailed plan was ready for cabinet consideration, after two years of planning, the military coup of February 1991 derailed the drive for reform.

As regulatory reforms faced a lot of difficulties because of opposition from labour, and the proposed restructuring of the MOTC required years to be finalised, Montri and the Chatichai cabinet, meanwhile, promoted privatisation under the existing framework as the fastest means to resolve infrastructure bottlenecks. The success of a paging project experimental under BTO schemes in 1986 was a pointer towards more private participation in other value-added services. This quick adjustment of strategy indicated the pragmatic character of the Chatichai cabinet when it came to economic development issues. More than twenty telecommunications concessions were granted to private investors during 1988-90, most of them under BTO schemes (the politics of the BTO projects is discussed in Chapter Six). Due to their overlapping technologies and lack of a clear legal delineation of functions, the TOT and CAT could not avoid competing in many of the same services (see Table 3.4). Hence privatisation subsequently stimulated liberalisation of telecommunications without any regulatory reforms even in a limited scope.

\textsuperscript{49} The proposed Ministry of Communication and Aviation was to combine the Post and Telegraph Department, the Department of Commercial Aviation, the Meteorological Department, the Airport Authority of Thailand, Thai Airways International, the TOT and CAT, and a few other agencies. Interview with a senior MOTC official.
Table 3.4: Telecommunications Concessions Awarded to the Private Sector (1988-91)

<table>
<thead>
<tr>
<th>Concessions</th>
<th>Company</th>
<th>Date</th>
<th>Value</th>
<th>Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>(mil baht)</td>
<td>(year)</td>
</tr>
<tr>
<td>TOT</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Datanet</td>
<td>Shinnawatra Telecom</td>
<td>19 Sept 89</td>
<td>400</td>
<td>10</td>
</tr>
<tr>
<td>Paging</td>
<td>Digital Paging Service</td>
<td>19 Dec 89</td>
<td>200</td>
<td>15</td>
</tr>
<tr>
<td>Paging</td>
<td>Hutchison</td>
<td>11 Apr 89</td>
<td>205</td>
<td>15</td>
</tr>
<tr>
<td>Phone Point</td>
<td>Foneway</td>
<td>30 May 90</td>
<td>965</td>
<td>15</td>
</tr>
<tr>
<td>Card Phone</td>
<td>AIS</td>
<td>27 Mar 90</td>
<td>3,000</td>
<td>20</td>
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<tr>
<td>Cellular 900 MHz</td>
<td>AIS</td>
<td>27 Mar 90</td>
<td>3,000</td>
<td>20</td>
</tr>
<tr>
<td>Optic Fiber (Railway Track)</td>
<td>Com-link</td>
<td>4 May 90</td>
<td>5,108</td>
<td>20</td>
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<tr>
<td>ISBN</td>
<td>Acumen</td>
<td>27 June 90</td>
<td>4,000</td>
<td>20</td>
</tr>
<tr>
<td>Submarine Optic Fiber</td>
<td>Jasmine</td>
<td>6 Nov 90</td>
<td>4,000</td>
<td>20</td>
</tr>
<tr>
<td>Satellite Service Back-up</td>
<td>Acumen</td>
<td>90</td>
<td>336</td>
<td>15</td>
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<tr>
<td>2 mil-line Telephone</td>
<td>Telecom Asia</td>
<td>2 Aug 91</td>
<td>97,800</td>
<td>25</td>
</tr>
<tr>
<td>1-mil-line Telephone</td>
<td>TT&amp;T</td>
<td>2 Jul 92</td>
<td>39,600</td>
<td>25</td>
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<tr>
<td>Radio Telephone</td>
<td>VMD</td>
<td>-</td>
<td>3,270</td>
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<td>CAT</td>
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<tr>
<td>Paging</td>
<td>Pacific Telesis</td>
<td>8 May 86</td>
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<td>Percom Service</td>
<td>28 Mar 90</td>
<td>500</td>
<td>15</td>
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<td>Paging</td>
<td>Matrix</td>
<td>30 Jul 90</td>
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<tr>
<td>Cellular 800 MHz</td>
<td>TAC</td>
<td>14 Nov 90</td>
<td>5,000</td>
<td>15</td>
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<tr>
<td>VSAT</td>
<td>Thai Skycom</td>
<td>-</td>
<td>262</td>
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<td>Trunk Mobile Radio</td>
<td>UCOM</td>
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<td>-</td>
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<td>Compunet</td>
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<td>400</td>
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<td>Samart Telecom</td>
<td>Jul 90</td>
<td>400</td>
<td>15</td>
</tr>
<tr>
<td>MOTC</td>
<td>Satellite Communications</td>
<td>Shinnawatra Satt.</td>
<td>1991</td>
<td>6,500</td>
</tr>
</tbody>
</table>

Sources: MOTC, NESDB, TOT

The politics of regulatory reforms under the Chatichai government was significantly different from that under the Prem regime. First of all, there were more active participants in the policy-making process whilst some of the older powers lost their political status. Business and the Prime Minister's advisors emerged as important players whereas the military was edged out of telecommunications politics. Second, regulatory reforms were not limited solely or mainly to the issue of privatisation; liberalisation was then as important an issue as privatisation. The increasingly dynamic interactions among a greater number of players, in combination with the twin issues of privatisation-liberalisation made the politics of regulatory reforms more complicated than it was previously. Third, the simple dichotomy between a pro-reform and anti-reform
coalition was no longer adequate to explain the shifting alliances and bargaining positions of the interests and organisations concerned. The pro-reform coalition comprised two major alliances: the pro-liberalisation interests and those in favour of private participation. The former, whose proponents included politicians, the Prime Minister and his advisory team, as well as the NESDB, supported the privatisation of telecommunications agencies and a high degree of liberalisation of the industry. The latter, whose interests represented elements of the state telecommunications agencies and business favoured the BTO arrangement under which the state monopoly would be maintained. The anti-reform coalition was left mainly to the SOE unions, since its earlier principal allies, the military and state telecommunications agencies, were either removed from telecommunications politics or forced to change their stance. Yet while labour still opposed privatisation and liberalisation policies, it gradually came to accept private participation under BTO schemes. As regards the varying degrees of reform supported by the three coalitions, private participation under BTO schemes was the maximum arrangement upon which all coalitions could agree. Figure 3.1 summarises the adjustments of all the three major coalitions in relation to their various policy positions.

**Figure 3.1: The Politics of Reform under the Chatichai Government**

![Figure 3.1](image)

To summarise the theoretical implications of all this, it is worth considering the relevance to these events of the main analytical approaches to Thai politics that were discussed in Chapter Two. It must first be noted, however, that this period (the later
1980s and beyond) was one in which the increasing privatisation and liberalisation of telecommunications coincided with the rising power of political parties and a dramatic increase in the capital accumulation of private business, both processes associated with political changes from a semi-democratic to a democratic regime.

A bureaucratic polity approach to Thai politics would be quite inadequate to explain these changes. Instead, a liberal-pluralist approach is more appropriate to the complexity of the changes occurring and their interactions. Neither the bureaucracy nor extra-bureaucratic forces could any longer be lumped together as single entities with common interests in policy outcomes. For example, the interests of local telecommunications businesses were not identical to those of the political parties; nor was the NESDB's stand in harmony with that of the state telecommunications agencies. The pro-liberalisation coalition combined the technocrats promoting liberalisation of the economy with jao pho politicians, whose objectives were privatisation if possible and liberalisation when desirable.

It might even be said that the new pattern of interests that was developing came close to Hewison's picture of business exercising ultimate control over the state, if the NESDB's role as the main promoter of liberalisation – but with little effective influence under the Chatichai regime – were ignored. The coalition supporting private participation unveiled two paradoxical relationships between local telecommunications business and the state. On the one hand, a strategic partnership was formed among local and foreign telecommunications business and state telecommunications agencies to maintain limited privatisation policy similar to the so-called triple alliance arrangements discussed by neo-dependency theorists following Evans. On the other hand, the clientelistic relationship between local businesses and TOT and CAT bureaucrats to win BTO concessions was reminiscent of the old bureaucratic polity pattern. Lastly, among the anti-reform interests there was a decrease in military support of labour because of its declining political power in the face of the growing strength of political parties.

Notwithstanding the different positions of the three coalitions depicted in Figure 3.1,
they could all find common ground over limited privatisation under BTO schemes, even
while the battles over deregulation still continued.

3.2.2 The Pro-liberalisation Coalition

The pro-reform coalition, which promoted privatisation during the Prem government,
had extended its policies to include liberalisation of the telecommunications industry
under Chatichai. The technocrats and politicians alike saw the need to reduce the state
monopoly and increase the competitiveness of the Thai economy. The difference,
however, was in the weight given to liberalisation and the degree to which liberalisation
took place. The NESDB technocrats were the strongest supporters of extensive
liberalisation whereas the technocrats from the Ministry of Transport and
Communications and political parties perceived full liberalisation as desirable, but not an
urgent matter. Since the military was removed from politics and the NESDB was not
highly regarded by the Chatichai cabinet, political parties and Chatichai's advisory team
became dominant players in telecommunications policy-making. The Transport and
Communications Minister was particularly important in telecommunications reforms.

The NESDB. Although its power was dramatically reduced by the Chatichai
cabinet, the NESDB was still an important actor in the move towards
telecommunications liberalisation. Apart from charting the national development plan,
embracing all sectors of the economy, the NESDB was still active in giving
suggestions and comments on all economic papers presented to the cabinet. A
government regulation stipulated that all investment plans committed by government
agencies and state enterprises were required to be evaluated by the NESDB before being
submitted to the cabinet. If the NESDB recommended adjustments to a plan, it was
likely to be returned by the cabinet to the agency concerned for review.50 This practice
provided the NESDB with significant power and the influence to push through the
economic reforms it promoted. This role of the NESDB was later guaranteed by a Prime

50 Interview with an NESDB official, 12 March 1993.
Minister's ruling in 1988 that required all documents to be submitted to the cabinet to include the opinions of all other agencies concerned.

There were many occasions when the NESDB directly influenced telecommunications policy by using the provision that allowed the state agencies concerned to express their views to the cabinet. On one occasion, Dr. Snoh Unakul, the NESDB Secretary-General, recommended to the Prime Minister that the TOT and CAT be allowed to compete in order that the two operators improve their services. Moreover, a communications commission, proposed as both a coordinating and regulating agency, was suggested to be set up soon after. There were many other additional strategies used by the NESDB to effect privatisation and liberalisation of the telecommunications sector. Together with the Ministry of Finance, a white paper detailing a privatisation plan was launched. Also, the NESDB commissioned an extensive study of telecommunications reform aimed at creating an independent regulatory body and restructuring all state telecommunications agencies. However, the idea was totally rejected at a meeting of officials from all related state agencies and their labour unions. All parties, except the NESDB itself, viewed the idea of the independent regulator as too extreme and ahead of its time.

The MOTC. The other group of technocrats playing considerable roles in boosting private participation and encouraging the liberalisation process was the staff of the Office of the Permanent Secretary, Ministry of Transport and Communications. Even though these technocrats endorsed liberalisation, they were certainly more conservative than the NESDB and more concerned with increasing the role of the private sector in value-added services rather than removing controls over basic infrastructure.

51 A letter from Dr. Snoh to the Prime Minister, dated 8 December 1990.
52 Interview with Ms. Visudsri Jaiphakdee, Chief of Communications Planning and Projects, NESDB.
53 In the 1991 study by the National Telecommunications Information Administration, radical reforms such as the separation of postal services from the CAT, the merger of the TOT and CAT into one operator and its subsequent privatisation, and the establishment of a central regulatory body were recommended.
54 Interview with Ms. Visudsri Jaiphakdee.
While understanding the need to modernise telecommunications services, they were afraid of foreign domination and other unknown consequences of any abolition of state control. As a result, they chose the middle path of guiding the TOT and CAT towards increasing liberalisation, starting from value-added services under BTO schemes as permitted by the existing framework.

The success of the first BTO project and subsequent implementation of more than twenty others was primarily determined by key persons taking charge of the Office of the Permanent Secretary and the state enterprise boards. The former served as the coordinating agency between the minister on the one hand and government agencies and all state enterprises on the other. The latter held regulatory as well as operating power over telecommunications agencies under their control. If the Permanent Secretary got along with the minister or gained his trust, the Secretary's ideas would be readily accepted by the minister. Because telecommunications was by nature a high-tech industry, the role of the Secretary was boosted by the lack of knowledge and experience of politicians in this field. At the state enterprise level, if the chairman of a state enterprise board was on good terms with the minister, the minister's policy and orders would be followed smoothly. The role of the Secretary in control of a state enterprise depended heavily on his clout deriving from his relationship with the minister. It was quite common for the minister to revamp state enterprise boards once he assumed office to ensure smooth implementation of his policy. What Montri did to win over these telecommunications agencies and to ensure the success of privatisation was to appoint trusted bureaucrats to key positions who could take control of these agencies. The senior bureaucrat fitting the bill for Montri as a knowledgable and well-rounded official able to carry out his policy was Sriphumi Sukhanetr. Besides being highly acclaimed for his role in creating the first BTO project, CAT board chairman, Sriphumi possessed an amiable personality and was widely recognised among major interests, and the military, bureaucrats, and politicians put him in the forefront as an ideal bureaucrat.55

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55 Interview with Mr. Robert Scoble, the then Telstra representative in Bangkok, and Mr. Sethaporn Cusripituck, Deputy Director-General, the Post and Telegraph Department.
Montri's appointment of Sriphumi as Chairman of the TOT board in 1989, while serving also as Permanent Secretary to the ministry and Chairman of the CAT board, provided Sriphumi with absolute control over the coordinating and regulating arms of the telecommunications industry. The consolidation of Montri's power through Sriphumi greatly facilitated the implementation of privatisation programs under BTO schemes in both the TOT and CAT.\footnote{In Sriphumi's view, the Permanent Secretary alone did not have much power to influence TOT and CAT decisions because the office did not possess the regulating power like the TOT and CAT did. Interview with Mr. Sriphumi Sukhanetr, former MOTC Permanent Secretary.} The compatibility of Sriphumi's and Montri's ideas, the role of Sriphumi as Montri's consultant, and Sriphumi's powerful positions enormously extended his authority and that of his fellow technocrats in the Ministry. This changing power structure led to many top-down telecommunications decisions being initiated or created by the Office of the Permanent Secretary. For example, following Montri's urgent decision to speed up telecommunications development, various alternatives were initiated by Sriphumi and MOTC technocrats to bypass the TOT or other lower-level agencies. However, owing to technical and legal problems, BTO schemes were chosen as the best means available.\footnote{A plan to set up a telecommunications fund and a proposed leasing company to secure cheap equipment for state enterprises was previously rejected by related agencies. Ibid.}

Political Parties. Whereas the end of the Prem government saw an expansion in the power of politicians, as demonstrated by the important roles played by Samak and Banharn, the Chatichai government turned political parties into even more powerful forces in Thai politics. Conditioned by an agreement among coalition parties not to interfere with ministers under eachother's quota, each minister was given a relatively free hand in his own affairs. This political arrangement provided Montri Pongpanich, Transport and Communications Minister and Secretary-General of the Social Action Party (SAP), extensive power over his ministry. This state of affairs was markedly different from the policy-making process under Prem, when a check-and-balance system was maintained between the bureaucrats and politicians. Driven to wind back the power
of the bureaucrats as much as possible, Montri further removed the role of the NESDB in screening many projects initiated by his ministry on the ground that the board was empowered to screen and coordinate projects funded by the state, but not those with substantial investments by the private sector. As a consequence, infrastructure projects contracted under BTO schemes were exempted from the board's scrutiny and evaluation. 58

In much the same way as Samak and Banharn, Montri's personality and political background contributed to his special relationship with business and the great emphasis put on infrastructure development. Montri, with a background as a German-trained engineer and leading businessman in the central province of Ayuthaya, was a daring politician with experience in making deals with business. 59 His political background, supplemented by his position as SAP's Secretary-General, provided Montri with contacts and information essential for mobilising business support for the party. Because SAP comprised various factions of businessmen-politicians, many of its political supporters being jao pho provincial businessmen, a good telecommunications system was high on its list of economic priorities. 60 Good contacts between Montri and the business community were also translated into a constant exchange of ideas and propositions, many of which later turned into the ministry's policy and projects. Like Samak and Banharn, Montri was a pragmatist who was quick to receive new ideas and put them into practice with little concern for the modus operandi. Some telecommunications projects like data communications, a telephone service, and satellite communications were said to have been initiated by Montri himself, before orders were issued directly to this relevant organisations to carry them out under BTO schemes. 61 Montri's success in both initiating and implementing so many projects during his term was clearly based on his disregard for the scandal surrounding many of his decisions. Montri believed that, by ignoring criticisms, he contributed to Thailand's economic development by making many

58 Interview with a high-level NESDB bureaucrat, 12 March 1993.
59 These experiences were accumulated while he was Minister of Commerce under Prem.
60 See discussion on SAP, its factionalism, and its relations with business in Ockey (1992).
61 Interviews with a former CAT executive, 5 March 1993.
badly-needed infrastructure projects materialise. It is no exaggeration to say that politicians were the leading actors who operationalised the much talked-about privatisation program.

**The PM's Advisory Team.** The active privatisation of the telecommunications industry during the Chatichai government was not determined solely by Montri's personal qualities and his political control over the Ministry of Transport and Communications. Another political body set up by Chatichai, the Prime Minister's advisory group, commonly known as Ban Phitsanulok after the name of the building from which they operated, played an important role in endorsing Montri's actions to Prime Minister Chatichai and the cabinet. The advisory group headed by Pansak Winyarat, a freelance journalist and an expert in information technology, was joined by young scholars from various disciplines, including Kraisak Choonhavan – a political scientist and Chatichai's own son. Notwithstanding its intended goal as an informal political body without any legal authority, the advisory group became an influential and powerful political actor with Chatichai's backing. So long as it had the backing of the Prime Minister on major political and economic issues, the advisory team was able to obtain access to important information of any government agency and then set up its own data banks on many economic subjects. On the basis of its profound and extensive information collected and analysed with the support of various working groups, the advisory team was highly trusted by Chatichai and its recommendations were often followed. Since the Prime Minister relied heavily on the Ban Phitsanulok team, important matters including large-scale infrastructure projects required endorsement from the advisors before being forwarded to the Prime Minister and the cabinet. It can be assumed that Montri's

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62 Interview with Mr. Montri Pongpanich, former Transport and Communications Minister.
63 The seven advisers were Pansak Winyarat, Kraisak Choonhavan, Narongchai Akrasaranee, Sukhumhand Paribatra, Surakiat Sathienthai, Bavornsak Uwanno and Chuanchai Atchanan. Also taking part in the Ban Phitsanulok were many young academics who joined working groups on information technology, intellectual property rights, foreign policy, etc. See the role of the advisory group in foreign-policy making in Surachai (1991).
64 Interview with a senior official from the Office of the Cabinet, 22 February 1993.
65 Interview with Mr. Montri Pongpanich.
forceful privatisation of telecommunications had undoubtedly received the green light from the advisory team.

Telecommunications liberalisation was perceived by Chatichai's advisors as part of the overall economic reforms essential for further economic development. A law reform commission was set up by the advisory team to revise outdated laws obstructing political and economic development, among which were included telecommunications laws. As telecommunications was seen to be linked in the larger term to the overall economy, other economic issues like trade and foreign economic relations were considered alongside the issues of privatisation and liberalisation. One of the main concerns of the advisors was potential Japanese control of telecommunications networks and its technological domination in Thailand. Traditionally, the TOT had adopted a system of procuring telephone and other telecommunications equipment through a 'repeat order' routine in those of its telephone expansion programs that relied mainly on technologies already in use. Because most telephone switching apparatus and long-distance equipment purchased were dominated by Japanese technology, the TOT's procurement pattern was seen as a hindrance to Thailand's technological independence and capacity to improve the trade deficit with Japan. Following this logic, privatisation under BTO schemes as proposed by Montri was viewed by the advisors as a means to diversify the source of Thailand's technological requirements while at the same time pressuring the state telecommunications agencies to be more efficient. At the international level, the issue of regulatory reform in telecommunications was considered a bargaining chip in economic negotiations between Thailand and its major trading partners. Since telephone business involved a whole range of telecommunications services and many kinds of equipment, a telecommunications deal could potentially affect

66 Interview with Dr. Sudham Yunaidham, member of a working group on business law, Ban Phitsanulok group.
67 The 'repeat order' is a direct purchase of equipment from producers or manufacturers which bypasses the normal bidding process. This procurement method was often used in the purchase and installation of telephone switchings and ISDN networks because of the high-tech nature of the equipment produced by only a few firms.
68 Interview with Mr. Pansak Winyat, Chairman of Chatichai's advisory team.
the long-term economic interests of these countries. 69 Among the Ban Phitsanulok group, Montri was welcomed as a daring politician who was able to put privatisation into practice. Thailand was now provided with an opportunity to freely choose its technologies from a whole range of producers in relation to its long-term economic interests. 70

3.2.3 The Coalition Promoting Private Participation

While the pro-liberalisation coalition promoted both privatisation of state telecommunications agencies and liberalisation of the telecommunications sector, another coalition lent support to a more limited reform, private participation in new value-added telecommunications services. This coalition consisted of both old and new actors able to form an economic partnership through the rapid expansion of BTO projects. Attracted by financial benefits and driven by increasing competition among the state telecommunications agencies, TOT and CAT, previously the opponents of government privatisation programs, had turned into economic turncoats promoting private participation under BTO schemes. In addition, as limited privatisation expanded, a small number of local telecommunications businesses grew and prospered at an amazing rate. Following this development, expanding local businesses increasingly became major actors advocating limited privatisation to benefit their partnership with state telecommunications agencies and helped fuel their rapid expansion under state protection. For these old and new actors, BTO schemes was ideally suited to allow limited privatisation while the state monopoly was maintained.

The TOT and CAT. During the Chatichai government, the state telecommunications agencies shifted from a position of opposition to privatisation to one of promoting BTO schemes, subject to three major factors: economic benefits offered by the private sector; the political changes in the relevant telecommunications organisations;

69 Ibid. During the interview, Pansak explained that a telecommunications deal with foreign companies was considered a *quid pro quo* for securing markets for Thai products in overseas markets.
70 Ibid.
and competition among state agencies. The benefits gained from increased revenues demonstrated by the first BTO project, a paging service concession, convinced both the TOT and CAT that BTO schemes could not only bring them profits but would also ease the pressure on them from the government for extensive privatisation. Revenue-sharing with private companies, free from requirements for capital or manpower supplies, was in fact a rent-seeking activity which added to the cost of services to the public. Both organisations realised very well that self-funding of major investments in value-added services would encounter difficulties in the face of the NESDB's pressure for privatisation. Because the NESDB was empowered to review and evaluate all state-funded projects, projects invested in by the TOT and CAT ran the risk of being overturned by the board. Therefore, BTO projects, which were exempted from the NESDB's scrutiny, were the only way to modernise value-added telecommunications services.

A change in power structure within the Ministry of Transport and Communications also transformed the nature of state telecommunications agencies into BTO-friendly organisations. The ascendancy of Sriphumi Sukhanetr and Paibul Limpaphayom to Permanent Secretary to the ministry and the Managing Director of the TOT respectively contributed unquestionably to the privatisation and later limited liberalisation of value-added telecommunications services. Paibul's personality and good connections with the military, politicians, business, and labour helped to reconcile these various groups' interests and thereby facilitated private participation in TOT projects. Given that Sriphumi chaired both the Office of the Permanent Secretary and the TOT board while Paibul commanded TOT bureaucrats and its employees, the TOT was eventually transformed into a champion of BTO schemes.

In contrast, the CAT was more resistant than its counterpart to opening its doors to the private sector, despite its pioneering role in granting the first BTO project. Since its financial position was always healthy, with an annual profit of more than two billion baht (Table 3.5), the CAT was capable of funding its own projects with little need for
foreign borrowings. Therefore, political rather than financial considerations were to pave the way towards early privatisation within the CAT. The first BTO concession granted by the CAT in 1986 was nothing but a political exercise between politicians and the technocrats on the one hand and CAT bureaucrats on the other. Following a direct command from Minister Samak, seconded by Sriphumi as CAT board Chairman, the CAT was forced to give the first paging service to the private sector. In response, tough conditions were set up by CAT officials with the aim of deterring private investors.\textsuperscript{71} However, the project still drew a lot of potential investors who offered very attractive benefits to the CAT. As a result, the CAT was faced with a dilemma whether to continue fighting laboriously with the ministry to protect its monopoly status or to reap the benefits offered by yielding to political pressures.\textsuperscript{72} Following its choice of the latter course, several more projects were later added under similar arrangements, and the agency came to realise the beneficial value of BTO schemes.

<table>
<thead>
<tr>
<th>Table 3.5: Financial Positions of the Communications Authority of Thailand</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liabilities and Equity</td>
</tr>
<tr>
<td>Revenue</td>
</tr>
<tr>
<td>Postal &amp; Monetary</td>
</tr>
<tr>
<td>Telecom Revenue</td>
</tr>
<tr>
<td>Expenditure</td>
</tr>
<tr>
<td>Postal &amp; Monetary</td>
</tr>
<tr>
<td>Telecom expense</td>
</tr>
<tr>
<td>Net Profit</td>
</tr>
<tr>
<td>Contribution to Government</td>
</tr>
</tbody>
</table>

Note: Unit in million baht
Source: the CAT

The shifting positions of both the TOT and CAT in favour of private participation in new value-added services were complicated by outdated laws which could not have anticipated the technological revolution in telecommunications. Overlapping telephone

\textsuperscript{71} Interview with a former CAT Deputy Governor, 5 March 1993.
\textsuperscript{72} Ibid.
and other telecommunications technologies, to which the law could not be applied, led to the duplication of many TOT and CAT services. As a consequence, the TOT and CAT found themselves engaged in competition to provide similar services. For example, two mobile phone contracts were signed by both TOT and CAT in the same year, one in March and the other in November 1990. Traditionally, there had been a common agreement that the TOT would provide domestic telecommunications while the CAT focussed on international services. However, the benefits from BTO schemes encouraged the CAT to expand local wireless communications on the basis of its experience in international satellite communications. Likewise, the TOT claimed all domestic services to be under its jurisdiction, regardless of the kind of services or the medium of communication. Obviously new technologies and BTO schemes helped to accelerate private participation as well as to introduce some limited liberalisation of the telecommunications market. Table 3.6 shows the degree of duplication and competition among the state agencies in many value-added services such as data communications, paging, cellular mobile phones, and mobile radio services.

Table 3.6: Duplication of BTO Projects

<table>
<thead>
<tr>
<th>Duplicated Projects</th>
<th>TOT</th>
<th>CAT</th>
<th>PTD</th>
<th>MCAT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small Satellite Comm.</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Cellular Mobile phone</td>
<td>2</td>
<td>2</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Paging Services</td>
<td>2</td>
<td>1</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Mobile Radio Services</td>
<td>1</td>
<td>1</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Note: This Table focuses on projects granted to the private sector only. There is, however, competition between the TOT and CAT in other projects as well. For example, the CAT has operated another data communication system (packet switchings), a paging service system and a cellular mobile telephone system. These projects are thus in direct competition with the TOT's concessions. Sources: Compiled from *Klang sa-mong* 9:89 (February, 1991) and *Transport & Communications* 3:29 (February, 1992)

73 Interview with Dr. Sudham Yunaidham. This opinion was supported by a former CAT executive, who said during an interview that the CAT awarded many BTO contracts in fields like data communications, which were not regarded as integral parts of its organisation.
Overlapping responsibilities and competition among state telecommunications agencies were not only conditioned by outdated laws and new technologies, but were also exacerbated by political battles within the ministry. Both politicians and technocrats were the decisive forces encouraging competition instead of seriously finding a solution to divide TOT and CAT responsibilities. In fact, both state agencies put much effort into reconciling their conflicts and tried very hard to have their authorities redefined. A coordination committee was first established in 1988 and many others followed in later years. Initially the TOT was antagonistic towards the MOTC as the ministry was seen to be biased in favour of the CAT.\textsuperscript{74} It was understood that the politicians controlling the ministry endorsed the CAT projects in order to break the TOT's monopoly and force improvements in the quality of both TOT and CAT services.\textsuperscript{75} This explains the TOT's rejection of recommendations made by the ministry on TOT-CAT job description\textsuperscript{76} and its unilateral announcement of a motion defining its own authorities.\textsuperscript{77} Consequently, no compromise could be reached and competition ensued by default. Consequently, when the TOT board Chairman – Gen. Jaruay Wongsayan – was replaced by Sriphumi in 1990, the TOT was turned into a more benign agency, less repugnant to the ministry's line.

\textit{Local Business.} Under the Chatichai government, local telecommunications made its business become an increasingly powerful force seeking ways and means to penetrate a tightly-controlled market. On the one hand, the growth of local telecommunications business was a product of BTO schemes recently implemented. On the other hand, this local business became also a driving force for further privatisation of

\textsuperscript{74} While CAT value-added services were supported by the ministry, many TOT proposals like paging services were often rejected on the ground that it had better provide efficient basic services before engaging in such value-added services. See \textit{Krungthep thurakit}, 7 February 1989.

\textsuperscript{75} Interviews with senior MOTC officials, 24 February 1993. In an interview with a former CAT executive, Samak was named as the first politician who set out this policy.

\textsuperscript{76} On 19 September 1989, the MOTC drafted an MOU defining responsibilities between the TOT and CAT which restricted TOT international operation to only Malaysia and allowed CAT domestic operation in most telecommunications services. See details in Naew na, 2 October 1989

\textsuperscript{77} Gen. Jaruay Wongsayan, TOT board Chairman, criticised the MOTC for forcing his organisation to sign the unilateral MOU. Gen. Jaruay later turned down the MOU and proposed that TOT be responsible for all domestic telephone systems and telecommunications services to neighbouring countries, etc. See Naew na, 3 October 1989.
the industry. Starting as local agents for equipment suppliers of foreign telecommunications business, local telecommunications firms had grown into telecommunications operators connected to expanding BTO projects. Buoyed by accumulated demand waiting to be served, the first local firms to receive BTO concessions were the ones enjoying the highest profits and with the best chance of expansion. Since most local firms were small, with little experience in telecommunications operations when they entered the market, they were in no position to compete with foreign operators, let alone rely on their own technologies. Therefore, an open telecommunications market as recommended by the NESDB would have been detrimental to their survival and growth prospects. Since the one advantage of local firms over foreign operators was their connections with the TOT and CAT built up over the years while serving as foreign agents, the limited privatisation proposed to be carried out under BTO schemes would retain the TOT's and CAT's licensing power and hence maintain the local firms' upper hand. Moreover, state protection of BTO projects from future competition provided economic rents to be shared between the state telecommunications agencies and private concessionaires. Following this development, local telecommunications firms were concerned more with fostering good relations with state agencies and politicians to facilitate new BTO projects than with pushing for long-term reforms in the industry.

Of the various local telecommunications groups, the Shinnawatra and UCOM groups were the two most successful private concessionaires during the Chatichai government. Shinnawatra won most BTO concessions offered by the TOT, including cellular telephones, paging, and data communication services. It also secured a contract on pay TV and was chosen as the sole provider of satellite communications (Table 3.7). Meanwhile UCOM was the dominant player in the CAT with its mobile telephone concession. Both mobile telephone services were the real money-making machines from which the telecommunications empires of Shinnawatra and UCOM were later created.
Table 3.7: BTO Concessions Granted to Shinnawatra Group
(Chatichai Government)

<table>
<thead>
<tr>
<th>Company</th>
<th>Concessionaire</th>
<th>Project</th>
<th>Years</th>
<th>Expiration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advanced Info Services</td>
<td>TOT</td>
<td>Cellular Telephone Service</td>
<td>20</td>
<td>Oct 2010</td>
</tr>
<tr>
<td>International Broadcasting</td>
<td>MCOT¹</td>
<td>Subscription Television Service</td>
<td>20</td>
<td>Oct 2009</td>
</tr>
<tr>
<td>Shinnawatra Paging</td>
<td>TOT</td>
<td>Paging Service</td>
<td>15</td>
<td>June 2005</td>
</tr>
<tr>
<td>Fonepoint (Thailand)</td>
<td>TOT</td>
<td>Telepoint (CT2) Service</td>
<td>10</td>
<td>May 2001</td>
</tr>
<tr>
<td>Shinnawatra Datacom</td>
<td>TOT</td>
<td>Data Transfer Service</td>
<td>10</td>
<td>Mar 2000</td>
</tr>
<tr>
<td>Shinnawatra Satellite</td>
<td>MOTC</td>
<td>Satellite Communications²</td>
<td>30</td>
<td>Sept 2021</td>
</tr>
</tbody>
</table>

Notes: 1. Mass Communication Organization of Thailand
2. The concession was reviewed by the Anand government
Sources: Compiled from Thansethakit (special issue), 24-30 June 1991; SC&C Annual Report, 1992; and PTD documents

Shinnawatra and UCOM shared a similar characteristic that accounted for their initial business success: close contacts and long-time relationships with related government agencies. It should be noted that this early phase of business expansion required the kind of clientelistic relationships of the type portrayed in a bureaucratic polity model. The Shinnawatra family was a long-established wealthy family in Chiangmai province which gradually expanded its business to Bangkok.⁷⁸ The political success of the Shinnawatra family increased after Suraphan Shinnawatra was elected to parliament in 1976 under the flag of the Chat Thai Party and was appointed Deputy Transport and Communications Minister in 1986. The bureaucratic connections of the family were also boosted when Thaksin Shinnawatra, the Founder and chairman of Shinnawatra Computer and Communications, joined the Police Department after graduation, serving there until his resignation in 1987. The political and economic background of the family, combined with Thaksin’s familiarity with government bureaucracies and their regulations, contributed at least in part to the success of the

⁷⁸ The Shinnawatra family first set up a silk factory in Chiangmai in 1932 before diversifying into schooling, handicraft industries, retailing, land development, transport, and entertainment industries. Outlets in Bangkok were later set up and its products exported (Ockey, 1992: 232-233).
Shinnawatra group in winning most BTO contracts. Thaksin explained his success in acquiring many government projects as follows: "Because of my understanding of government rules and regulations which my competitors do not comprehend, I therefore have an edge over them in a bid."

The history of the Shinnawatra Group bore out Thaksin's explanation as it grew from a small computer leasing firm, geared towards the needs of the Police Department and other bureaucracies in the early 1980s, into a large telecommunications empire as a result of the government privatisation programs. Its close relationship with IBM as Shinnawatra's main supplier also played a significant role in the initial success of Shinnawatra Computer and helped build up the reputation of the group at a later stage.

Similarly, UCOM grew from a small supplier of telecommunications equipment into a major telecommunications operator in the late 1980s. The Benjarongkul family which owned UCOM had long been involved in the telecommunications business, mainly as a supplier, and its relationships with government agencies dated back more than four decades. While the Shinnawatra family had a longer history in business and a longer political background, the Benjarongkul family had a more extended relationship with various bureaucratic agencies, particularly the Posts and Telegraph Department and CAT. Moreover, UCOM had been the major supplier of Motorola equipment similar to Shinnawatra's relationship with IBM. The importance of bureaucratic connections in the success of UCOM was also comparable to Thaksin's thorough understanding of the bureaucrats and bureaucratic regulations. Boonchai Benjarongkul, President of UCOM, was quoted as saying: "Connections are always important. No matter whether we undertake a joint venture with other private firms or not, our market is still mainly the government. Therefore, our duty is to maintain government connections. Connections mean that we know them, they know us, and they trust us. Fortunately, I and my

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80 See the history of Shinnawatra in *Transport & Communications* 4:35 (August 1992), and Sorakol (1993).
81 UCOM first supplied telecommunications equipment to the Police Department in 1948 and it later expanded its customer base to include the military, the PTD, and the CAT. See *Phu Jad Karn* (monthly), July 1991.
brothers, who are from the second generation of UCOM, inherit the good deeds of our first generation. As a result, people open their doors to us when we knock.\textsuperscript{82}

The connections that local businesses had established with government agencies in the past were turned into good use when the bureaucrats joined the politicians in carrying out BTO projects. The open access to the Transport and Communications Minister and other cabinet members provided by the Chatichai government was an important condition for business growth. While contacts with politicians also helped bring about new projects, good relationships with state telecommunications agencies served to smooth out the bidding process. The number of businessmen in the cabinet, moreover, rose sharply under Chatichai, as Table 3.8 shows, from 47.4\% to 64\% in the first Chatichai government. The increasing representation of business in national politics and the rapid pace of telecommunications privatisation seemed to be correlated. Since most politicians were linked to business of some kind, it is rather artificial to draw a sharp distinction between them. However, what was clear under the Chatichai government was a common agreement between business and the political parties to proceed with BTO schemes.

The close relationship between local business and the bureaucratic as well as political arms of the state was the main reason preventing overseas telecommunications firms from dominating the Thai market after the shift toward limited privatisation. Since local business handled the tasks of finding markets for foreign companies, the latter were not themselves familiar with the powerful officials in state telecommunications agencies, or with the jao pho politicians holding cabinet portfolios. Moreover, because foreign shareholdings of a telecommunications operator were limited by law to a maximum of 40 percent of the total shares, foreign interests were forced to be junior partners or equipment suppliers in BTO projects. In this respect, classical dependency theory seems to be out of line with what happened in the telecommunications field. Even if the Thai

\textsuperscript{82} Transport & Communications (August 1991), p.79.
Table 3.8: Business Leaders in the Cabinet (elected governments)

<table>
<thead>
<tr>
<th>Government</th>
<th>Appointed</th>
<th>Business Leaders</th>
<th>Total</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thanom (1969)</td>
<td>3</td>
<td>1</td>
<td>25</td>
<td>4.0</td>
</tr>
<tr>
<td>Seni (1975)</td>
<td>2</td>
<td>8</td>
<td>30</td>
<td>26.7</td>
</tr>
<tr>
<td>Kukrit (1975)</td>
<td>3</td>
<td>16</td>
<td>27</td>
<td>59.3</td>
</tr>
<tr>
<td>Seni (1976)</td>
<td>4</td>
<td>11</td>
<td>31</td>
<td>35.5</td>
</tr>
<tr>
<td>Kriangsak (1979)</td>
<td>5</td>
<td>9</td>
<td>43</td>
<td>20.9</td>
</tr>
<tr>
<td>Kriangsak (1980)</td>
<td>2</td>
<td>5</td>
<td>38</td>
<td>13.2</td>
</tr>
<tr>
<td>Prem (1980)</td>
<td>3</td>
<td>17</td>
<td>37</td>
<td>45.9</td>
</tr>
<tr>
<td>Prem (1981)</td>
<td>1</td>
<td>12</td>
<td>40</td>
<td>30.0</td>
</tr>
<tr>
<td>Prem (1981)</td>
<td>12</td>
<td>17</td>
<td>41</td>
<td>41.5</td>
</tr>
<tr>
<td>Prem (1983)</td>
<td>5</td>
<td>21</td>
<td>44</td>
<td>47.4</td>
</tr>
<tr>
<td>Prem (1986)</td>
<td>8</td>
<td>21</td>
<td>44</td>
<td>47.4</td>
</tr>
<tr>
<td>Chatichai (1988)</td>
<td>8</td>
<td>29</td>
<td>45</td>
<td>64.4</td>
</tr>
<tr>
<td>Chatichai (1990)</td>
<td>12</td>
<td>27</td>
<td>45</td>
<td>60.0</td>
</tr>
</tbody>
</table>

Source: James Ockey, "Business Leaders, Gangsters, and the Middle Class: Societal Groups and Civilian Rule in Thailand" (Ph.D. dissertation, Cornell University, 1992), Table 6.6, p. 236

government had allowed foreign operation of BTO projects, the MNCs might not have rushed into the market because of the potential risks involved. Since telecommunications required huge capital and a long-term commitment, the transfer of ownership of a project to the state upon its completion in accordance with BTO schemes would have disqualified it from a bank guarantee by stripping the assets from the MNCs. Regardless of the operator, however, the MNCs still benefited from supplying the technology and equipment to the various Thai operators. This kind of strategic partnership with local business could prove more profitable than turning their customers into competitors and alarming the government over the threat of foreign domination.83 A triple alliance combining local and foreign business with state telecommunications agencies was a more suitable approach in this case.

3.2.4 Anti-reform Interests

Labour. Of all the major interests involved in the politics of telecommunications reforms, labour still remained the chief opponent to regulatory reforms and the

83 A view expressed during interviews with staff members of several major telecommunications firms, 12 and 23 March 1993.
privatisation of state agencies. Two significant changes, however, marked the politics of labour opposition during this time compared to the circumstances during the Prem regime. First, labour was less belligerent in launching organised protests against telecommunications reforms. The growth of civil society and a more amenable relationship between the Chatichai government and labour contributed to more active but less militant labour. Moreover, the declining power of the military in politics in general and in state telecommunications agencies in particular considerably lessened the clout of the former anti-reform coalition and consequently left labour isolated from the centre of action in telecommunications politics. Second, private participation under BTO schemes was no longer the target of labour protests; legal amendments liberalising the industry and the prospect of extensive privatisation of state enterprises became the most anxious concerns of labour unions. Strong public reaction to past labour militancy had reduced support for labour movements and pushed them towards a more compromising position on limited privatisation.

Improved state-labour relations during the Chatichai government significantly reduced labour conflicts and created a better environment for reaching compromises.84 Besides Chatichai's efforts to build up mass political support, Kraisak Choonhavan, his son and advisor, was well connected to labour leaders as he had previously studied labour issues while a lecturer at Kasetsart University. Therefore, when important labour issues arose, Kraisak would intervene as both the Prime Minister's advisor and a mediator acceptable to labour to solve the conflict. Another factor mitigating the degree of labour militancy, particularly that of the state enterprise labour unions, was the declining role of the military in both national politics and telecommunications politics. Since the military was largely sidelined by the government and its mediating role was replaced by Chatichai's son, the military was in no position to enhance the leverage of labour in national bargaining. More importantly, military control of state telecommunications agencies was removed by the cabinet's revamp of state enterprise

84 Labour conflicts (in general) decreased from 128 in 1987 to 109 and 74 in 1988 and 1989 respectively (Sungsidh, 1992: Table 13).
boards. Thus, the TOT and CAT unions were left alone to fight government privatisation and liberalisation programs. The patron-client relationship between the military and labour unions could be seen most strikingly when the TOT Employees Association opposed the appointment of Sriphumi as the TOT board chairman and instead indicated its preference for an assistant army commander, Gen. Arun Pariwattitham.\(^\text{85}\) The labour action was a desperate move to delay government privatisation by trying to bring back military protection.\(^\text{86}\)

From the general public’s viewpoint, these political openings through which labour interests could be better articulated and organised helped to facilitate a more peaceful labour attitude towards the resolution of disputes. Strikes and aggressive labour movements were therefore negatively viewed by the public. At this time, privatisation was deemed essential to alleviate infrastructure constraints, whereas labour’s anachronistic resistance to it appeared to be driven by self interest. Public criticism of labour’s frequent demonstrations and labour’s worsening image caused the TOT labour union to review their position and seek a compromise on privatisation policy. As a result, private participation under BTO schemes was accepted by labour as an appropriate means to solve telecommunications problems.\(^\text{87}\) Yet privatisation of the TOT’s organisation and changes to its existing functions were strongly resisted, as were legal amendments that would have changed the status quo.

Given that its leverage had significantly declined as a result of the military’s reversal of fortune and its public image was deteriorating, labour then moved to restore

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\(^{85}\) See Naew na, 10 April 90. The TOT union claimed that Sriphumi was biased in favour of the CAT, so it urged Sriphumi to resign. This antagonism probably resulted from Sriphumi’s support for privatisation and his creation of BTO schemes while CAT board chairman. See this analysis in Prachachart thurakit, 12 April 90 and Naew na, 18 April 90.

\(^{86}\) In an interview, Mr. Mit Jaroenwan, former President of the TOT labour union, explained that after the CAT carried out privatisation programs, TOT executives and labour joined forces to block TOT privatisation. However, since those executives were bound by bureaucratic regulations, the unions acted as front for this alliance.

\(^{87}\) Somnuk Tokhamngam, President of the TOT labour union, said private investors could then be allowed to install switchings and taking care of technical matters on condition that the TOT was responsible for customer services, revenue collection, and policy direction. See Thansetthakit, 26 February 1990.
popular support by linking the issue of privatisation with the threat of foreign domination and involving nationalist sentiments. In a memo drafted and publicised by the TOT Employee Association, foreign business was depicted as a common enemy to both the TOT and the public: "The TOT labour union keeps a close watch on foreign companies, which collaborate with domestic stock speculators disguised as politicians, who push for privatisation in order to take control over the TOT. Therefore, it is an opportune time for union members to join forces and employ all means to protest against such a move." In addition, corruption by politicians and government officials was made an issue, attributed to the non-transparent methods of privatisation. Labour leaders viewed cabinet ministers, whose political constituents were mostly in the countryside, as corrupt politicians who ignored the interests of labour and other urban masses. These issues were used by the TOT union to create a new image of labour as a protector of state interests in the hope that its resistance to privatisation would gain public support. When Samak replaced Montri as Transport and Communications Minister at the end of 1990, the President of the TOT union promptly urged him to investigate the retroactive approval by Montri and Sriphumi of five major telecommunications projects.

Conclusion

Three main points emerge as significant in the analysis of the events covered in this chapter. First, the politics of regulatory reform in telecommunications has been transformed in relation to changes in political regimes. Second, telecommunications politics was marked by changing power relations and shifting coalitions of interests driven by dynamic actors. Third, no single analytical theory is adequate to explain the overall transformation of telecommunications politics by taking into account all major coalitions involved and their fluctuating power.

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89 Interview with leaders of the State Enterprise Relations Group, 9 March 1993.
90 Prachachartthurakit, 10 January 1991.
When the semi-democratic government of Prem gave way to the more fully party-based system under Chatichai, the political power of the military and other bureaucracies was undermined by political parties linked to business interests. The change in political regime significantly determined the configuration of power and politics within the Ministry of Transport and Communications, as well as the two state enterprises under the ministry's control. Under the Prem administration, regulatory reform basically meant privatisation of state telecommunications agencies as proposed by the technocrats, particularly those from the NESDB and the Ministry of Finance, with support from various political parties. Since the NESDB dominated the government's economic policy-making while the military retained a firm grip on state telecommunications agencies, the role of political parties could not go much beyond trying to carry out privatisation in a limited way. Privatisation did not make much progress, however, since SOE labour unions had the support of the military, which was still a powerful political force in the background. The Chatichai government successfully undercut much of the political power of the military and other bureaucratic agencies. With a relatively free hand from both bureaucratic and government intervention, cabinet ministers were able to exercise vastly greater power, which in turn transformed the internal politics within their respective ministries. New patterns of intrabureaucratic politics within the Ministry of Transport and Communications brought about changes in the state telecommunications agencies, with the military finding themselves displaced by the champions of privatisation. This new mode of politics allowed private participation in telecommunications and local businesses to flourish at the same time as political parties were expanding their image.

Within the context of Thailand's changing political economy, various new power centres emerged and grew while some of the older powers declined, or their influences fluctuated. As a result, shifting coalitions of interests and their changing positions followed. Political struggles under the Prem administration focussed on telecommunications privatisation involving two major coalitions, the pro-reform and anti-reform coalition, which represented military and bureaucratic interests on the one
hand and on the other the political parties and progressive technocratic interests. During the Chatichai phase, telecommunications politics consisted of three major coalitions contesting the issues of privatisation and liberalisation. While the military, an old power broker, lost its place in telecommunications politics, the TOT and CAT shifted their positions to join hands with growing local business in support of private participation. While business emerged as an important actor, political parties earned their place as the most powerful force in telecommunications politics. Sanctioned by the progressive technocrats from the development board and the ministry as well as Chatichai's advisory team, the pro-liberalisation coalition was able to tip the balance in favour of regulatory reforms. Labour was then left alone as the only anti-reform interest, but its position too was modified to accommodate private participation in value-added telecommunications services. Figure 3.2 summarises the relative positions of the various elements in these shifting coalitions along the spectrum indicating the direction of reforms.

Figure 3.2: Telecommunications Politics: The First Phase

The politics of privatisation conforms with the tendency in political economy studies to conclude that non-bureaucratic interests in Thailand have grown sufficiently to become active political forces alongside the established bureaucratic agencies. In fact, these interests have matured to a point where they can now challenge the power of the
military and other bureaucratic agencies, thereby causing major shifts in the policies and positions of all the parties concerned. The declining role and power of traditional institutions like the military, coupled with the more liberalising attitudes of the state enterprises, coincided with the rising influence of the political parties and business. While economic reforms undertaken by the technocrats from the NESDB and the MOTC could be interpreted as an effort to maintain bureaucratic leadership, this study has found that private participation and limited privatisation would not have materialised without the active intervention of party politicians. Neither the technocrats nor the politicians could alone have carried out privatisation without the support of the other; the former provided a policy framework whereas the latter put the policy into practice. Given that the collaboration between the state and non-state interests is taken into account, a modified liberal-pluralist approach can be seen as providing a more accurate account and explanation of the politics of telecommunications privatisation. The longer trend of telecommunications politics demonstrated the growing influence of the pro-liberalisation coalition, comprising both bureaucratic and non-bureaucratic actors whose interests increasingly converged.
Chapter Four

The Politics of Regulatory Reform: the Second Phase

The political transition from a semi-democratic to a more democratic regime associated with the rise of the pro-liberalisation coalition under Chatichai came to an abrupt end when his government was overthrown by a coup in February 1991. Since political parties and business lost their direct control of the cabinet, the political weight of the pro-liberalisation coalition subsequently decreased. Still, the technocrats remained staunch supporters of the privatisation and liberalisation policies as opposed to the anti-reform coalition composed of the military, state telecommunications agencies and labour. The realignment in telecommunications politics resembled the sharp division between the pro-reform and anti-reform coalitions under Prem, although the contentious issue then was private participation, not liberalisation. Despite the military's powerful position, however, the technocrats finally gained the upper hand after the mass uprisings in 1992 overthrew the military and pushed them out of the political arena.

The later transition from technocratic governments under Anand Panyarachun in 1991-92 to a more democratic regime under Chuan Leekpai in October 1992 ushered in a new era of telecommunications politics when the pro-reform coalition gained dominance. This political transition, as well as the rearrangement of telecommunications politics, precipitated a new trajectory of regulatory reforms as legal amendments gained momentum, since the anti-reform interests were either politically weak or their positions were shifting closer to the pro-reform end of the spectrum. In addition to these domestic political changes, telecommunications politics was significantly influenced also during this time by external factors. The globalisation of the world economy which gave rise to the internationalisation of Thailand's economy played an important role in shaping Thailand's economic policy and telecommunications reforms in ways that would make the country a regional economic centre. Although direct pressure from international bodies like GATS (General Agreement on Trade in Services) was not yet imminent, the
liberalising trend across regions, in combination with Thailand's regional perspective, led to an increasing recognition that liberalisation was a precondition for the country's future prosperity.

Broadly speaking, Thai politics since the Anand government had seen a revival of a bureaucratic-technocratic polity which later gave way to a more democratic system. Similar to the first phase of regulatory reform discussed in Chapter Three, the second phase experienced the ascending power of political parties and business in contrast to the declining role of the military and labour. The major difference between the two phases was that in the second phase the positions of the pro-reform and anti-reform coalitions apparently came closer together. The converging positions of many interests in support of the pro-reform coalition heavily tipped the balance in favour of the liberalisation policy. This development, coupled with the prevailing idea of turning Thailand into a regional economic centre, seemed to suggest that a 'growth coalition' combining elements of the bureaucracy, business, and political parties was being moulded to chart a new course for Thailand's telecommunications politics.

This chapter looks at telecommunications politics during the period of the Anand government (1991-92) and the Chuan government (1992-94). The short-lived Suchinda regime (April-May 1992) is barely mentioned because no important telecommunications measures were taken during that brief but tumultuous period. The first part discusses Thailand's regional perspective and the popular idea of economic liberalisation, which together became the most influential ideas shaping Thailand's economic policy. Telecommunications liberalisation fitted into this paradigm as a major requirement for realising Thailand's ambitions. The second part deals with telecommunications politics under Anand when political contention between the pro-reform and anti-reform coalitions was limited to rivalries between bureaucratic agencies. The third part examines telecommunications politics under Chuan, when political parties and business rejoined the pro-reform coalition, whereas the military was once again sidelined from both national and telecommunications politics.
4.1 Thailand's Regional Perspective, The Liberalisation Wave, and Telecommunications Factor

In this second phase of regulatory reform, there were two important ideas pushing the various interests involved in telecommunications politics towards a convergence of positions as well as influencing the government's decision to speed up the process of telecommunications liberalisation. The first was the idea of turning Thailand into an economic hub of mainland Southeast Asia, particularly in the financial, transport, and telecommunications areas. The second was the belief that telecommunications liberalisation was essential if Thailand was to survive the rapid changes occurring in the global economy. Telecommunications liberalisation came to dominate the economic thinking of the 1990s as prescription turned symbol turned fashion.

The idea of developing Thailand as a regional economic centre was in fact conceived during the Chatichai government under the influence of the Prime Minister's advisory team. However, this idea was later taken over by many government agencies and turned into a national goal embraced by successive governments. Chatichai's depiction of Thailand as the dominant economic power of mainland Southeast Asia and an engine of growth in the area, following global political changes and the country's rapid economic development, found support in the military's concept of *suwannaphumi* (see Chapter One). This conception was rooted in an older notion of a 'greater Thailand' spanning across the *Tai*-speaking regions, which was politicised during the Phibun government in the 1940s (Buszynski, 1994). While Chatichai focussed his idea on economic matters in association with the policy of turning the battlefield in Indochina into a market place, the military's idea encompassed both economic and political ambitions. Although *suwannaphumi* was a vague concept, it was a powerful idea.

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1 Interview with Dr. Sudham Yunaidham, former staff member, PM Chatichai's advisory team.
2 During the Chatichai government, senior army officials paid many visits to neighbouring countries and tried to intrude into the jurisdiction of the Ministry of Foreign Affairs. Close contacts between the Thai military and leaders of neighbouring countries in connection with economic deals between Thai business and neighbouring governments increased the clout of the Thai military in regional politics and business. See Sakkarin Niyomsilpa, "Thailand's Security Relationship with China: Implications and Prospects" (M.A. thesis, ANU, 1989).
underlying the seventh NESDP and was subsequently grasped by various government agencies. Because the term *suwannaphumi* was derived from an old nationalist catchphrase, the term was later dropped from government rhetoric and the idea was redefined mainly with an economic meaning. The Anand government clarified the idea through the government's policy of making Thailand the gateway to Indochina, in which Bangkok would serve as the commercial, financial, and distributive centre of the region. In pursuit of the same goal, the Chuan government stressed the policy of turning Thailand into a financial gateway of the region (Buszynski, 1994).

Telecommunications played a crucial role in the realisation of Thailand's regional ambition. Despite its lack of a clear vision or an integrated plan for *suwannaphumi*, the Chatichai government took the view that advanced telecommunications systems were fundamental to Thailand's regional future; hence, the cabinet announced a policy making Thailand into a regional telecommunications hub. According to the Prime Minister's advisory team, the hub could be established if telecommunications infrastructure in Bangkok was capable of serving regional demand, provided that modern value-added services were available at competitive prices. Also, a signalling protocol (standardised means of communication) was needed between Thailand and its neighbouring countries both in Indochina and ASEAN. Not only did Chatichai and his advisers appreciate the economic case for the development of telecommunications systems, but the military also favoured telecommunications as vital to its grand strategy. Referring to telecommunications as the fourth dimension of the future, Chavalit proposed that Thailand make an effort to be a regional economic development and information centre to carry out the task of building *suwannaphumi*. 

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3 The Seventh Plan set the goal of gearing Thailand towards becoming the regional centre for business, financial services, and communications.
4 Because the word *suwannaphumi* was associated with the state's past regional expansion, there were concerns among the academics and civilian bureaucrats that Thailand's neighbours would be offended by the use of the term.
5 Interview with Dr. Sudham Yunaidham.
7 *Siam Rath*, 16 March 1990.
The policy of turning Thailand into a telecommunications hub was linked to the perception that the new economy was becoming an increasingly globalised structure in which capital, production, management, markets, labour, information, and technology were being organised across national boundaries. Since the 1980s, information was being regarded as a fundamental factor of production along with capital and labour (Saunders, et al., 1994). The process of globalisation in which economic activities and national economies were interconnected at the global level meant that competitiveness as determined by advanced telecommunications systems was imperative to economic success. According to Castells (1993: 19), "Competition is played out globally, not only by the multinational corporations, but also by small and medium-size enterprises that connect directly or indirectly to the world market through their linkages in the networks that relate them to the large firms." The globalisation of capital flows, trade, manufacturing, and other activities produced a strong demand for better, more varied, and less costly telecommunications services.

Since developed and developing countries alike were stepping up telecommunications liberalisation following the reforms in the United States, the United Kingdom, Japan, and other OECD countries, the rapid globalisation coupled with increased information content of economic activity and Bangkok's regional ambitions were all seen as dependent upon the success of similar liberalisation in Thailand. Therefore, both a revision of government regulations and proposals for private participation became major issues in the government's policy guidelines for the telecommunications hub idea. The NESDB, a keen supporter of this idea, even

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8 Since 1989, more than half of the world's telephone lines have been operated by privately held companies. By 1990, some 40 developing countries had completed, were embarked on, or were preparing for major reforms. In Asia, corporatisation (1987) and partial privatisation (1990) was carried out in Malaysia, while corporatisation and liberalisation of non-basic services were being implemented in Indonesia (1990) and decentralisation of operators in India (1985), China (1988), Sri Lanka (1990) and Fiji (1990) (Saunders, et al., 1994).

9 Other major points in the guideline are: to increase the supply of telephones; business demand must be met, more freedom for telecommunications agencies in making investment plans; an establishment of a reserve fund for urgent projects; adding more services at reasonable rates; and improving services to international standards (Prachachartthurakit, 24 December 1989).
submitted a letter to the Prime Minister suggesting that the role of the MOTC be clearly defined and legal amendments implemented in order to carry out this policy.10

The suwannaphumi concept, which was later elaborated into an aspiration to become a regional economic powerhouse, was even more influential under the Anand and Chuan government when many concrete policies were initiated by state agencies to realise such a goal. The Ministry of Finance and the Bank of Thailand were the first to undertake significant reforms by relaxing foreign exchange controls and introducing the Bank of International Banking Facilities (BIBF) in order to make Thailand a financial centre.11 Also, the Airport Authority of Thailand (AAT) tabled a number of airport expansion plans aimed at making Bangkok the main gateway to Southeast Asia.12 All these plans fuelled competition among state agencies to devise their own plans for positions of leadership in the suwannaphumi concept and justify budget increases in relevant projects, even at the cost of some duplication of investments.13

Within the Ministry of Transport and Communications, two opposing views emerged, which reflected ongoing conflicts between jao pho-style politicians and the technocrats regarding the interpretation of 'the regional communication centre' idea. Whereas the technocrats saw the idea as a hypothetical goal of guiding infrastructure development and regulatory reform in the same direction, some politicians considered it as a physical entity that would have to be built. The former took the view that adequate and efficient telecommunications services driven by regulatory reforms were a necessary condition for attracting business to Thailand. In other words, telecommunications was seen as a means to achieve an end, not an end in itself.14 In contrast, some politicians

11 BIBF is similar to an offshore banking instrument and marks the first step in freeing up the Thai market for foreign financial institutions.
12 Included in the plan is a second international airport to accommodate up to 100 million passengers annually in its final phase.
13 For example, a close look at the long distance transmissions projects planned by the TOT during the 1990s, involving submarine cable, cable along the railway line, and satellite communications, showed duplication of its infrastructure networks. See TOT Annual Report (1993).
14 Interview with Mr. Mahidol Jantarangkul, Permanent Secretary, the Ministry of Transport and Communications.
mistook the means for an end. For example, Deputy Transport and Communications Minister Somsak Thepsuthin (September 1992-October 1993) stressed that his main priority was not the privatisation of the TOT and CAT, but to make Thailand a telecommunications centre. As a result, the CAT, which he controlled, generated many investment projects which were claimed as essential in making Thailand the regional hub, regardless of the relevance of some projects to the improvement of services.

The latest expression of the suwannaphumi idea were proposals made during 1993-94 by the Chuan government to create a number of regional groupings, with the desire to make Bangkok the bridge between these sub-regions and the ASEAN region. The southern economic triangle was to combine southern Thailand, northern Malaysia, and northwestern Sumatra; the northern economic quadrangle to span Thailand, Laos, Burma, and China's Yunnan province; a Mekong regional cooperation scheme would cover Thailand, Burma, Laos, Cambodia, and Vietnam; while an even broader economic pentagon linking Thailand with Burma, India, Bangladesh, and Sri Lanka was put forward by Deputy Prime Minister Supachai Panichpakdi. In most of the areas to be drawn together by these regional groupings, new investment in telecommunications was obviously one of the top priorities. As the leading local telecommunications groups set out to extend their operations into the proposed regions (discussed later in the chapter), telecommunications liberalisation at home was commonly seen as a necessity to enable the growth of local business enterprises and make them competitive throughout the region.

4.2. The Anand Government and the Return to Technocratic Reforms

The coup in February 1991 overthrew political parties from the centre stage of Thai politics and once again restored power to the military and the bureaucracy. One of the

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15 Krungthep thurakit, 3 March 1993.
16 His plan included an expansion of international gateways, improvement of transmission systems and domestic services (Siam Post, 21 March 1993). However, the regional centre idea was also used in a superficial manner to justify projects like a telecom tower, which was to benefit mainly tourism business.
17 There were many incidents leading to conflicts between the military and the Chatichai government: the appointment of Manoon Roopkajorn, a Young Turk leader and mastermind of two previous abortive
early attempts by the military to weaken the political parties was to break the connections between the parties and jao pho businessmen and provincial bureaucrats. A series of incidents then took place, starting with the assassination of a leading jao pho businessman, followed by reshuffles of provincial governors linked to the Chart Thai Party and the setting up of a committee investigating corruption within the Chatichai cabinet (Ockey, 1992). However, in a move to allay the fears among business and the public, the military appointed Anand Panyarachun, a respected businessman and former top diplomat, to head the new government, while it retained control over security affairs. Although Anand was at that time chairman of a leading business conglomerate, his cabinet reflected Anand’s bureaucratic background and marked a resurgence of the technocrats in national politics. All economic portfolios were basically dominated by senior officers or former officers from major policy-making bodies like the Ministry of Finance, the NESDB, the Bank of Thailand, and the Ministry of Foreign Affairs. At first glance, this government resembled that of the early Prem period during which the military and the technocrats dominated Thai politics.

What were the similarities or differences between the bureaucratic-oriented governments of Anand and Prem? In both governments, many bureaucratic agencies were politically influential and some technocrats were appointed cabinet members. Comparatively, the technocrats were even more dominant under Anand, since all economic ministers were directly responsible to the Prime Minister and had no need to consult other organisations like political parties. It may seem that this government came quite close to Chai-Anand’s concept of a technocratic polity. Nonetheless, aside from their similar technocratic influences, the two governments differed in terms of their relations with non-bureaucratic interests. Firstly, political parties were totally excluded from politics under Anand compared to their quite influential roles towards the end of the Prem administration. Secondly, formal state-business contacts were less emphasised...
under the Anand regime, if compared to the great fanfare given to the Joint Public-Private Consultative Committee (JPPCC) under Prem. The fact that Anand had served as a leading figure in the business community for many years might also have lessened the need to go through such formal mechanisms; he was already well-informed of business agendas and well-equipped with business contacts.\(^{18}\) Because of Anand's cross-cutting roles in both the public and private sector, he was identified with many groups and able to mobilise support from both bureaucrats and business interests.

Immediately after the coup, telecommunications politics revealed the fundamental conflict between the bureaucracy and the political parties over the issue of political corruption linked to privatisation. Although the technocrats supported private participation in the telecommunications sector, they were extremely unhappy about the widespread scandals surrounding the political parties. Besides filing corruption charges against Chatichai and some of his cabinet members, the new government also removed from office a number of senior bureaucrats, including Sriphumi Sukhanetr, who had been a key figure in the BTO schemes.\(^{19}\) Moreover, the government passed a new law in 1992 setting out standard procedures for all privatised projects. This law guaranteed a counterbalancing role for the technocrats in future BTO projects as a measure to curb political corruption. For instance, a selection committee comprising officials from concerned government agencies must be set up in the selection of private concessionaires.\(^{20}\) This law reflected bureaucratic scepticism of the politicians as well as

\(^{18}\) While chairman of Saha Union, Anand served as President of the Federation of Thai Industries (FTI), one of the three peak business associations represented in the JPPCC.

\(^{19}\) After the coup, three senior bureaucrats were immediately transferred to inactive positions. Sriphumi Sukhanetr, Anand Anantakul, and Kamol Thapparangsri were removed from the MOTC, the Interior Ministry, and the Central Intelligence Agency respectively.

\(^{20}\) The 1992 'Government Concession and Joint Venture with the Private Sector Act' combined three phases of standard procedures: project proposal, project implementation, and project regulation and evaluation. This legislation indicates that any project valued above 1 billion baht must be under close scrutiny by relevant government agencies at every phase of development. For example, the NESDB's approval is needed for a new project, or if the project is under expansion the MOF's green light is required. During the selection process, a selection committee comprising officials from the Ministry concerned, the MOF, the Budget Bureau, the NESDB, the Juridical Council, Office of the Attorney General, two other Ministries, and three more experts, must be set up. Open bidding for the duration of not less than 30 days is to follow the TOR set by the committee. After the selection has been made, a coordination committee with representatives from the MOF, the NESDB, and the Ministry concerned will follow up the contract and report on progress to the Ministry concerned every six months. This
the widely prevalent view among the bureaucrats that their roles must be maintained to protect the public interest.

From these initial conflicts between the bureaucrats and the remnants of the political parties, telecommunications politics turned into a series of contests between the pro-reform coalition versus the anti-reform coalition. The pro-reform coalition, which combined Anand's economic ministers and key technocratic agencies, aimed to amend the telecommunications laws so as to abolish the TOT and CAT monopolies and to set up a central body to liberalise the industry. In their view, political corruption could be prevented or at least minimised if politicians could no longer control the industry through the TOT and CAT boards. The anti-reform coalition, which comprised the military, labour, and state telecommunications agencies, preferred limited privatisation through BTO schemes; hence they opposed the total abrogation of TOT and CAT monopoly power. Table 4.1 summarises the politics of the telecommunications sector under the first Anand government and the positions of these two coalitions on the various issues. Rivalry between the two coalitions erupted in a conflict between Anand and the National Peace Keeping Council (NPKC), the coup maker, over the appointment of the Transport and Communications Minister. While Anand selected Nukul Prachuabmoh, former Governor of the Bank of Thailand, the NPKC nominated Gen. Kaset Rojananil and Gen. Viroj Saengsanit, two key NPKC figures, for the same position. Eventually a compromise was reached in which Nukul was appointed the Minister and Gen. Viroj was given the position of Deputy Minister. Later, the military, to be joined by labour and state telecommunications agencies, tried to block the government's legal reforms.

Although the military lost its power after the May 1992 uprisings, telecommunications legislation was considered a countermeasure to the BTO concessions implemented during the Chatichai government. Previously, there was no standard practice regarding privately-funded state projects, as bureaucratic regulations are applied only in normal government works. Because government investment plans must be submitted to the NESDB and the Budget Bureau before being approved by the cabinet, Montri argued that during the Chatichai government BTO projects were privately funded and hence need not be included in the government investment plan. As a result, the MOTC was able to make all decisions regarding BTO projects before submitting the matter to the cabinet merely for acknowledgment.

21 Interview with journalists from The Nation, 10 March 1993.
liberalisation did not proceed further at that time because the government was limited in its role to restoring political stability and preparing for a general election.

Table 4.1: The Pro-reform and Anti-reform Coalitions
(First Anand Government)

<table>
<thead>
<tr>
<th>Coalition</th>
<th>Objective</th>
<th>Organisation &amp; Interest Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pro-reform</td>
<td>Law amendments &amp;</td>
<td>Anand, MOTC Minister,</td>
</tr>
<tr>
<td></td>
<td>Liberalisation</td>
<td>Technocrats</td>
</tr>
<tr>
<td>Anti-reform</td>
<td>Maintenance of</td>
<td>The military, TOT &amp; CAT,</td>
</tr>
<tr>
<td></td>
<td>BTO schemes</td>
<td>Labour</td>
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</table>

4.2.1 The Pro-reform Coalition

The pro-reform coalition under the Anand government centred around the Prime Minister himself and the technocrats controlling ministerial positions and government policy-making bodies. These technocrats, whose proclaimed goal was to turn Thailand into a regional economic centre, were well aware of the changing global political economy and transformations occurring in the neighbouring states. Because many of the cabinet members were policy makers in leading public and private agencies like the NESDB and Thailand's Development Research Institute (TDRI), the top economic agenda of the Anand's cabinet was economic liberalisation, intending to make Thailand competitive at the global level and capable of taking advantage of the expanding regional economies. This cabinet basically compressed the tasks of policy-making and decision-making into the hands of the technocrats. Since one of Anand's conditions for accepting the Premiership was a high degree of autonomy from the NPKC, his technocratic government was able to pass as many as 270 pieces of legislation, many of which pertained to economic reform. In most cases, the military did not interfere in these reforms, despite the fact that the national assembly was dominated by the NPKC.

22 For example, Dr. Snoh Unakul, Secretary General of the NESDB, and Dr. Paichit Uathaveekul, Chairman of the TDRI, were appointed Deputy Prime Minister and Minister attached to the Prime Minister Office respectively.
Notwithstanding its acquiescence in this development, however, telecommunications was still a sector in which it felt it had to remain involved because it was still an important source for economic rents to be tapped.

The most important figure pushing for the reform of telecommunications at that time was Transport and Communications Minister Nukul Prachaubmoh. Although Nukul supported the liberalisation policy in order to modernise the telecommunications sector and reduce the economic rents shared among politicians and bureaucrats, he had a tough time charting this course of policy due to his lack of control over the key state telecommunications agencies. Since the two state telecommunications boards were in the hands of the military – Gen. Issarapong Noonpakdee, Deputy Army Commander chaired the TOT board and Air Chief Marshall Anand Kalintha, Air Force Commander, supervised the CAT board – Nukul was unable to force these two agencies to adopt his liberalisation policies, let alone to interfere in their internal affairs.

Constrained by the military's presence, Nukul took his own initiative to circumvent the line of command by seeking cabinet backing to abolish the monopoly power of the TOT and CAT. First, he built up an alliance with free-minded technocrats across the MOTC to counterbalance the military, then used this network to pursue his liberalisation policies. Three important technocrats played significant roles in Nukul's pro-reform coalition. Through Roungroj Sriprasertsuk, a senior MOTC bureaucrat and TOT board member, Nukul was able to push his agenda forward while avoiding direct contacts with Gen. Viroj and Gen. Issarapong. He also appointed Pisit Lee-atarn, a former staff member of his from the Bank of Thailand, as a TOT board member and his aide in carrying out the tasks of drafting a new telecommunications law and revising a major telephone contract. In addition, Mahidol Jantarangkul, who had just been appointed as the new Permanent Secretary, helped to mobilise bureaucratic support for the policy reform. Nukul's second strategy was to seek political support from the cabinet

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23 Interview with Mr. Sarin Skulratana, Director of International Communications Division, the MOTC, and former aide to Nukul.
and subsequent cooperation from the agencies concerned. With the cabinet dominated by technocrats loyal to Anand, Nukul easily won support from Anand and his fellow cabinet members. As a result, much of the reform agenda initiated by Nukul then proceeded at a rapid pace, including revisions of controversial telephone and satellite contracts (drafted during the Chatichai government), and amendments to the telecommunications laws.

The process of legal amendments revealed a top-down approach, giving hardly any role to the relevant state telecommunications agencies. Concerned that the reforms would be stalled by the strong opposition they encountered, Nukul made a surprise move in proposing to the cabinet an amendment to the Telephone Organisation Act of 1954 which was designed to abolish the TOT monopoly and empower the Minister to issue licences. As expected, the cabinet endorsed his proposal and ordered the Juridical Council to revise both the 1954 Act and the older Telegraph and Telephone Act of 1934, before giving approval to the bills and submitting them to the National Assembly. Ironically, only after the drafted bills were sent to the National Assembly did the cabinet ask the relevant state agencies to study the amended laws and report back on them to the government. This speedy decision, prior to consultation with key telecommunications agencies, was obviously a preemptive strategy intended to bring about rapid liberalisation of the industry, even at the risk of injuring government-military relations.

With full support from the cabinet, Nukul gained the upper hand in forcing the state telecommunications agencies and the military to accept the amended laws. Following a high-level MOTC meeting, the related agencies were obliged to accept a resolution that the minister would possess the power to licence telephone, telegram, and data communications projects. Moreover, the Post and Telegraph Department (PTD)

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was assigned to join the MOTC in drafting another law to set up a national communications commission to take over the licensing power from the Minister at a later stage.

However, this early success by Nukul proved ultimately to be futile, for the anti-reform coalition led by the military decided to confront Anand and intervene directly in telecommunications politics. Gen. Viroj and Gen. Issarapong, who were in control of the TOT, were stunned by the rapid pace made by Anand and Nukul without seeking the military's prior agreement. The military then threatened the Anand cabinet, calling on it to back off from such reforms or the bills would be rejected in the national assembly. The military argued that the licensing power should not be held by the Minister, as politicians tended to abuse their power and corruption would surely follow. Because of this powerful threat, the cabinet had no choice but to withdraw the two bills, which were scheduled to go through Parliament on 15 November 1991.

This first failure did not discourage Nukul and his technocratic allies into foregoing further liberalisation reform. As telecommunications development was deemed to be fundamental to other economic reforms and to Thailand's future economic success, the pro-reform coalition continued to pursue liberalisation by addressing the major weaknesses pointed out by the anti-reform coalition. This time they proposed that a central body named the national communication commission, not the Minister, would hold the licensing and other regulatory powers. Also, many new articles were added to make regulatory reforms more complete and the liberalisation process fully transparent.

26 Interview with a senior PTD officer, 23 February 1993.
28 The key points of the revised Telegraph and Telephone Act 1934 were: 1) Redefinition of telegraph and telephone 2) Adding new definitions of telecommunications, telegraph, telephone, and commission 3) Setting up a communication commission (comprising the MOTC Minister, MOTC Deputy Minister, MOTC Secretary, Secretary Ministry of Science, Technology, and Environment, National Security Council Secretary, Director General, Army Communication Commission, and three other experts) to be responsible for policy planning, coordination, regulation, and licensing, 4) Abolition of PTD monopoly (which was translated into TOT monopoly). For the revised Telephone Organisation Act 1954, only minor revisions like increasing the number of TOT board members and changing the TOT Managing Director title to TOT Governor was included (Cabinet Resolution, 27 January 1992).
Once more the cabinet agreed with the draft amendments and passed the bills onto the National Assembly. Meanwhile, Deputy Prime Minister Sanoh Unakul was assigned to coordinate the various government agencies instead of Nukul in an effort to pacify the Nukul-military conflict. These agencies, including the TOT and CAT, were ordered to present their views on the draft bills and submit their reports to Sanoh before the end of the government’s term, scheduled in one month. Despite the government’s best efforts to nullify the previous military arguments and its attempt to accelerate the reform process, time was not on its side, as the anti-reform coalition was too strong an opponent. In the expectation that a military-backed party would prevail after the forthcoming elections scheduled for early 1992, both the TOT and CAT board Chairmen tried to delay submitting their reports to the government, arguing that more time was needed to study such an important matter. Furthermore, TOT and CAT officials and labour unions launched public campaigns against the reform program. As urgent issues then demanded immediate government attention, including the general election and constitutional amendments, telecommunications reforms once again ground to a halt.

As far as telecommunications politics was concerned, the balance of power swung back to the technocrats’ side only months after the election. Following the short-lived Suchinda government (April-May 1992), Anand was again appointed Prime Minister by the King to head an interim government which comprised mostly technocrats who had served in his previous cabinet. The second Anand government was a truly technocratic regime, possessing full authority to introduce any legislation it wished.

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30 After the election, the military-backed Samakkhi Tham Party won most seats in the parliament and was chosen to form a coalition government. The coalition then nominated the Samakkhi Tham Party leader, Mr. Narong Vongwan, to head the government. However, due to rumours that Narong was involved in drug trafficking and had been refused a visa by the US Embassy, the coalition turned to Gen. Suchinda Kraprayoon, the Army Commander, as its leader. Hence Suchinda resigned from the army and assumed the Prime Ministership. Because of his non-elected position and his earlier promise after the 1991 coup that he would not become the Prime Minister, the public was incensed. Earlier demonstrations regarding the undemocratic constitution then turned into mass protests against Suchinda. As the number of demonstrators increased to half a million, the Suchinda government decided to put down the protests by force with the result that mass uprisings erupted in May. The May massacre then led to King Bhumibol’s intervention and Suchinda was forced to resign. This set-back to the military marked a major turning point in the military’s political power after its successful coup in 1991.
Nevertheless, Anand set a clear policy of not initiating any legislation, as the mission of his interim government was simply to carry out a free and fair election. Yet although telecommunications reforms were no longer pursued by the interim government, Anand and Nukul took several actions soon after to alter the politics of telecommunications in a way that proved amenable to telecommunications liberalisation. The most important move made by the second Anand cabinet in 1992 was the removal of key military officials associated with the Suchinda regime from their powerful positions and also from many state enterprise boards, including Thai Airways and the TOT and CAT. At the same time, those technocrats who supported the liberalisation policy were promoted to important positions. Roungroj Sripasertsuk, who was one of Nukul’s most trusted men, and Chavalit Thanachanan, former Governor of the Bank of Thailand, were placed as the TOT and CAT board Chairman respectively. The substitution of military leaders by the technocrats was tantamount to a fundamental change in TOT and CAT politics. Soon after the appointment of the new TOT board Chairman, the pro-military TOT Managing Director (Paibul Limpaphayom) was also replaced by a reform-minded bureaucrat (Jumpol Herabat).

Apart from the Anand cabinet and the technocrats, however, there was no sign that other major interests such as political parties and business were then directly engaged in telecommunications politics. Despite occasional meetings between the government and major business associations, business did not play an active role in government policy-making as under Chatichai. Although the technocrats serving under the Anand government were relatively autonomous from external influences, they were oriented towards promoting reforms in line with economic liberalisation. It can not be overlooked, however, that Anand came from the Bangkok-based business community; many of his views, including those on liberalisation, represented the views of jao sua businessmen. In this regard, the Anand cabinet could be interpreted as a coalition combining the technocrats and jao sua business to counteract the influence of jao pho business which had previously dominated Thai politics under the Chatichai government. Speaking specifically of telecommunications, Anand’s reform measures were widely
accepted by business in and outside of telecommunications circles. As the BTO schemes implemented by the previous regime proved to be costly because of rent-seeking behaviour, Anand's policy of transparency was an attractive alternative to the more mature local business groups.\textsuperscript{31}

\section*{4.2.2 The Anti-reform Coalition}

Those interests opposing Anand's legal amendments that would abolish the state monopoly in telecommunications resembled the anti-reform coalition that existed under Prem. The return of the military to the TOT and CAT boards in 1991 led to the restoration of a patronage system binding state enterprise executives and labour with the military. This organisational relationship restored certain features of the bureaucratic polity to the domain of telecommunications politics in much the same way as the military repealed the growing power of political parties at the national level. This coalition was determined to preserve the monopoly power of the state telecommunications agencies, even while it continued to pursue BTO schemes. In the military's view, the economic rents to be derived from such schemes provided ample resources that could be used to serve both its political purposes and various personal benefits for the office-holders.

Of all the three major partners, labour was the most active and important anti-reform interest, despite the fact that its strength was seriously undermined after the coup. Banned by the 1991 Labour Relations Act and State Enterprise Labour Act, SOE labour unions were dissolved and their right to strike was hence rejected. This act, promulgated by the NPKC, succeeded in reducing the powers of both state enterprises and private sector unions, shifting the balance in favour of employers and the state. However, reducing the threat of labour protests did not mean success for the government's reform of state enterprises as it encountered another formidable force, the military. Although TOT and CAT unions fell back to their former status as employees' associations, they

\begin{footnote}
\textsuperscript{31} Transparency was the term used by Anand as the main motive behind sweeping legal amendments and economic reforms to create accountability and political checks and balances. Because of this emphasis, the Anand government was widely known as \textit{rathaban prongsai} (transparent government).
\end{footnote}
pursued active roles as pressure groups against telecommunications reforms by launching public campaigns against government at the same time as seeking support from the military. Paradoxically, while labour had every reason to be hostile to the military for suppressing its activities, TOT and CAT labour unions sided with it to reverse the government's regulatory reforms in telecommunications.

Strange as it may seem, the first government attempt to amend the telecommunications laws floundered largely because of labour, in spite of its reduced status and power. When the amended laws (Telegraph and Telephone Act 1934 and Telephone Organization Act of 1954) were before Parliament pending final approval, the TOT Employees' Association launched public campaigns through military-connected media, such as Matichon and Daily Mirror, arguing that the new laws would make the MOTC Minister very powerful through his licensing powers. Labour argued that both Anand and Nukul had suspicious motives in transferring the licensing power from the TOT to the Minister. Moreover, nationwide movements were organised by TOT employees in order to make headlines by pressuring both provincial governors and Bangkok. Since Deputy Army Commander Gen. Issarapong Noonpakdee held both the position of Minister of Interior and TOT board Chairman, these movements would justify Issarapong's intervention to wind back government action for the sake of political stability. While launching public campaigns to pressure the Anand government, labour in collaboration with TOT executives also held meetings with key military figures to seek support from the NPKC to stop government reforms. Convinced that the reforms would undermine its influence over state enterprises, the military decided to take a drastic step in asking Anand to withdraw the two bills; otherwise the government would be faced with defeat in the military-controlled national assembly.

32 Interview with Mr. Mitr Jaroenwan, President of the TOT Employees' Association.
33 Ibid.
34 Ibid.
The second attempt by the Anand cabinet to reform the telecommunications sector in 1992 similarly encountered strong resistance from the same anti-reform coalition. In its earlier moves, labour had launched public campaigns focussing on four major issues. First, there was no need to abolish the TOT and CAT monopoly since private participation was already being implemented under BTO schemes. Second, private operation was not a panacea since private investors aimed for profits rather than social services. Third, in order to protect the public interest, private participation had to be regulated by the TOT. Fourth, the national communications commission proposed by the law would duplicate the authority of TOT and CAT.35 These arguments clearly demonstrated labour's support for BTO schemes and private participation, but did so in line with the TOT's own game. When its campaigns proved ineffective, labour once more lobbied key military figures to intervene by convincing them that their power on the TOT and CAT boards would be totally removed if the communication commission was to be created.36 In effect, the military boldly defied the government order by postponing the submission of reports regarding the study of the drafted bills until the end of the first Anand government.

These well-calculated and well-planned labour movements would have been unthinkable without the green light from TOT executives. In fact, Paibul Limpaphayom, the TOT Managing Director, acted as a good patron in his relationship with labour.37 In exchange for its loyalty, Paibul made certain that TOT employees were provided with good welfare and benefits. It was believed that the directory service contracted by TOT executives to the Savings Cooperative was a major source of income to TOT labour.38 This special relationship between Paibul and labour was demonstrated in the mass

35 TOT Employees' Association's declaration, un-dated.
36 These military leaders were Gen. Issarapong Noonpakdee, the TOT board Chairman, and ACM. Anan Kalintha, the CAT board Chairman. Interview with Mr. Mit Jaroenwan.
38 Prachachart thurakit, 4 October 1992.
support TOT labour gave to Paibul when he was removed from the TOT under the second Anand government.39

Not only was labour instrumental to the TOT executives' anti-reform strategy, but good connections with the military were also established when the NPKC was immensely powerful. In the same way as labour accepted a clientelistic relationship with its managers, TOT executives agreed to accept patronage from the military. Close connections between TOT executives and the military were also boosted by Paibul's personal and family ties with leading military figures.40 The position of TOT executives regarding government-military conflicts could be clearly seen in Paibul's remarks that "My boss is not the man in the MOTC, but he is working in suan ruen (an army compound in Bangkok)."41 Because of this special alliance, the loss of military power following the May massacre consequently led to the transfer of Paibul to an inactive post in the MOTC.

4.3 The Chuan Government and Liberalisation in the Making

The return to democracy after the September 1992 election brought political parties back to power and Chuan Leekpai, the leader of the Democrat Party, was chosen Prime Minister. The Chuan government was dedicated to political reconciliation in order to re-create social harmony and political stability; hence the government refrained from intervention in military affairs. Nonetheless, a gradual reform of the military's organisation was in order. For instance, senior military officers who had been associated with the NPKC were transferred to less important tasks and the 700-1000 positions of general in the three armed forces were to be reduced. Moreover, the Internal

39 In August 1992, at least 500 TOT employees protested against the transfer of Paibul and tried to mobilise wider support from other SOE labour associations. Widespread labour criticism of Nukul's action was publicised in all media. Nukul's life was also threatened after such action. 40 Paibul's wife is a sister of Paisith Phipatanakul, Secretary to the Office of Parliament, who is close to Gen. Issarapong Noonpakdee. Moreover, Paibul is Gen. Wanchai Ruengtrakul's brother-in-law (Phu jad Karn, 13 July 1992). 41 Interview with journalists from The Nation, 6 and 10 March 1993.
Peacekeeping Act, which allowed the military to use force to restore social order, was rescinded by Parliament (Buszynski, 1994).

Although the return to power of political parties under Chuan was in some ways reminiscent of the political transition under Chatichai, the two governments were significantly different in terms of their relationship with business and the technocrats. While the Chatichai government had attempted to exclude the technocrats from the decision-making process, the Chuan government learned to live with them and even recruited some of them to help undertake economic reforms. Because the technocratic government under Anand was highly acclaimed for its integrity and effective economic reforms, the Chuan government therefore turned this public attitude around by creating an image of his government as a democratic regime embodying similar technocratic features. It became fashionable for coalition parties to appoint non-elected technocrats as Deputy Prime Minister or as key economic ministers to build up the party's image and attract support from the rising middle class and business.42 Moreover, just as the Chatichai government was referred to as a coalition of jao pho businessmen-cum-politicians, the Chuan government was said to resemble a company of jao sua-style and urban-based politicians. Although two of the five parties in the coalition, the National Aspiration Party (NAP) and the Social Action Party (SAP), had mainly rural constituencies, with many of their MPs being provincial influentials and businessmen, the other three parties, the Democrats, Palang Dharma, and United Party, whose constituencies were mainly in Bangkok and the South, had a far lower proportion of MPs with backgrounds as provincial businessmen. The control of key economic portfolios such as the Ministry of Finance and the Ministry of Transport and Communications by

42 The Democrat Party appointed Dr. Suphachai Panichpakdi as Deputy Prime Minister in charge of international trade negotiations and the government's economic policies. Suphachai was the Director of the Office of Governor, the Bank of Thailand, and a former Deputy Finance Minister under the Prem government. He also served as President of the Thai Military Bank before being appointed by Chuan. Also, Tarrind Nimmanhemindhara, CEO of the Siam Commercial Bank, was selected as Minister of Finance. In addition, the National Aspiration Party appointed Dr. Amnuay Virawan, former Permanent Secretary of the Ministry of Finance and President of the Bangkok Bank, as Deputy Prime Minister. While assuming the position as Deputy Prime Minister, Amnuay was also holding the Chairmanship of the NESDB.
Bangkok-based businessman and politicians epitomised the *jao sua*-style political orientation of the Chuan regime.

Telecommunications politics during the Chuan government showed the shifting positions of many interests from opposition to regulatory reforms to accepting the privatisation of state enterprises. As the idea of liberalisation increasingly penetrated the economic thinking of the public and private sectors and was turned into the hallmark of Chuan's economic policy, a high degree of consensus was reached among major interests to liberalise the industry. While labour was earlier reluctant to accept regulatory reforms, it gradually came to an agreement to welcome it, provided that the privatisation of the TOT and CAT preceded the broader liberalisation of telecommunications. Meanwhile, the TOT and CAT, which were under the guidance of the technocrats appointed under the Anand regime, moved closer to the pro-liberalisation coalition. In preparation for the imminent privatisation of state enterprises, both state agencies had shifted their emphasis from BTO schemes to joint venture schemes to avoid giving protection to private concessionaires, which could become potential competitors of their future operations. During this time, the new telecommunications business enterprises became significant promoters of liberalisation reform under the impulse of the robust growth of the industry and expanding regional opportunities.

The semi-technocratic, semi-*jao sua* political orientation of the Chuan government was translated into telecommunications politics as the technocrats and Bangkok-based politicians and businessmen gradually came to prevail in the formulation of telecommunications policy. Although Vinai Somphong, the first Transport and Communications Minister under Chuan, was neither a businessman nor a technocrat, he authorised the technocrats to handle telecommunications issues with his full support. Later, when Vichit Surapongchai, a former President of the Bangkok Bank, and Thaksin Shinnawatra, Chairman of Thailand's largest telecommunications empire, were appointed as Transport and Communications Minister and Minister of Foreign Affairs respectively in October 1994, telecommunications politics seemed to confirm its growing importance.
in relation to the national and regional political economy. Certainly, the economic expansion and political maturity of the telecommunications business had transformed its earlier clientelistic relationships with jao pho politicians and government bureaucrats into a new kind of relationship where business assumed the role of its former patrons. Table 4.2 provides an overview of telecommunications politics during this time (September 1992-early 1995).

Table 4.2: Telecommunications Politics (Chuan Government)

<table>
<thead>
<tr>
<th>Coalition</th>
<th>Objective</th>
<th>Organisation &amp; Interest Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pro-liberalisation</td>
<td>Law amendments: privatisation of SOEs; liberalisation; central regulatory body</td>
<td>Political Parties, Business, Technocrats (MOTC, PTD, TOT &amp; CAT,)</td>
</tr>
<tr>
<td>Pro-privatisation</td>
<td>Law amendments: privatisation of SOEs but liberalisation postponed; regulatory body is apprehensive</td>
<td>Labour</td>
</tr>
</tbody>
</table>

4.3.1 The Pro-liberalisation Coalition

The pro-liberalisation coalition was a combination of three main active interests: the political parties; the technocrats working in the MOTC, the Post and Telegraph Department (PTD), and relevant state agencies; and business. These interests were in support of extensive reforms of the industry that would lead to the privatisation of state telecommunications agencies, liberalisation of both basic and value-added services, and the setting up of a central regulatory body in place of the TOT and CAT. These common stances revealed a shift in the position of business, as well as the TOT and CAT, from supporters of BTO schemes to promoters of liberalisation. Moreover, the privatisation of the TOT and CAT became an additional issue carried out by the pro-reform coalition.

The converging positions of these key interests can best be revealed by depicting a set of triangular relationships gradually taking on new patterns, despite the waxing and waning influences of each of the three interests under the impact of tumultuous political
events. Figure 4.1 illustrates how the three sets of relationship were changing between political parties and the technocrats, political parties and business, and business and the technocrats. Relations between political parties and the technocrats were particularly focussed on the Palang Dharma Party, because it not only controlled the Ministry of Transport and Communications, but also worked closely with reform-minded technocrats in the ministry, the Post and Telegraph Department, and state telecommunications agencies. The changing relations between political parties and business can be seen in the transformation of the Palang Dharma from a middle class-based party to a semi-middle class, semi-jao sua party, with close links with the telecommunications private sector. The third set of relations, between business and government, is characterised by the graduation of business from a subordinate position as mere clients of TOT and CAT bureaucrats towards business partners as these organisations moved to turn themselves into regional players in line with the government's regional vision.

Figure 4.1: Triangular Relationship of the Pro-Liberalisation Interests

A. Political Parties and the Technocrats

Political Parties. The most important figure in telecommunications policy during the first two years of the Chuan government was Transport and Communications Minister Vinai Sompong, a rising politician from the Palang Dharma Party. Due to his past achievements while serving as the right-hand man of the former Governor of Bangkok (Chamlong Srimuang) and his untainted political record, Vinai was chosen to head the
most important portfolio allocated to the party. Vinai's policy on assuming office was the privatisation of state enterprises and encouragement of competition in the privatised projects.\textsuperscript{43} Besides the general policy of privatisation, Vinai's telecommunications policy included hastening telephone and other telecommunications projects to increase the proportion of telephone lines to head of population in order to achieve the ten percent target set for the end of the Seventh NESDP (1992-96).

Vinai's pro-reform policy was primarily influenced by two factors: the demands of the urban populace of Bangkok whose votes had brought the Palang Dharma to power; and the pro-liberalisation orientation of both Vinai's staff and the technocrats concerned. Because public support of Anand's liberalisation policy had been overwhelming, Vinai and the Palang Dharma tried to turn this support into an asset for their party. Not only did Vinai receive a positive response from the public for his pro-reform policy, but he was also welcomed by the business community. As one of the main concerns of the Palang Dharma was the clean image the party had built, Vinai decided to set up political mechanisms among the technocrats and his own staff to carry out a pro-reform policy as well as to regulate government-business contacts. Two committees were established to handle transport and communications affairs respectively. Whereas members of the two committees were mostly reform-minded technocrats working in relevant state agencies, they were supervised by Thamrong Saengsuriyachan, Vinai's Secretary and a party MP, and Dr. Sarit Santimethaneedol, Vinai's Chief Adviser.\textsuperscript{44} Importantly, these two political figures were key men pursuing and coordinating the privatisation and liberalisation policy among many state agencies represented in the committees. At the same time, they served

\textsuperscript{43} Vinai set four main principles for carrying out privatisation. First, there must be real competition among private companies in any project and the project to be privatised must not be just a transfer of a state monopoly into private monopoly. Second, reasonable profits to the private sector must be considered. Third, the state must also get some profit from any privatised project. Fourth, the public must clearly be a beneficiary for the privatisation (Vinai's speech, 4 March 1993).

\textsuperscript{44} Members of the communication committee were Direk Jaroenphol, TOT Deputy Managing Director, Sethaporn Cusripiteak, PTD Deputy Director-General, Prof. Kosol Petchsawan, Secretary, Telecommunications Association of Thailand (TCT), Anand Champraphai, businessman, and Somlak Sajjaphinand, businessman and former CAT Deputy Governor (\textit{Phu jad karn}, 30 March 1993).
as the official channel through which business made contact with the Minister, since Vinai avoided direct meetings with individual firms in order to protect his clean image.

**The MOTC.** Major revamps of senior technocrats in the ministry and state enterprise boards under the Anand government left the Chuan government with many reform-minded technocrats in control of the key telecommunications agencies. This situation allowed Vinai to pursue the telecommunications reforms with ease. Among these technocrats, MOTC officials played an important part in coordinating the various state agencies and the communications committee in carrying out Vinai's privatisation policy. Led by Permanent Secretary Mahidol Jantarangkul, MOTC technocrats in cooperation with the Post and Telegraph Department vigorously pushed for the abolition of state monopolies and the establishment of a central regulating body. Concerned that the PTD might itself take over the power of the two state enterprises and become a powerful organisation, Mahidol aimed to create a checks and balances system within the proposed commission. Mahidol's target was a package of reforms combining liberalisation in both basic and value-added services, the establishment of a regulatory body, and participation of consumers in the decision-making process.45

**The PTD.** The role of the PTD under Chuan was outstanding because Sethaporn Cusripituck, the Deputy Director General, was the key person responsible for drafting the amended Telephone and Telegraph Act of 1934, Telephone Organization Act of 1954, and Communications Authority Act of 1973. While Setthaporn preferred an independent and professional commission free from political interference, he realised that this proposal could not attract support from politicians if they were not provided any role in the commission.46 Therefore, a compromise was reached whereby the Minister was to be given the chairmanship position while the commission was to be made as widely

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45 Interview with Mr. Mahidol Jantarangkul.
46 The national commission was to be responsible for licensing, rating, policy planning, protecting of consumer interest, and regulating.
representative as possible. Despite this concession to the political parties, however, the planned allocation of membership among many bureaucratic organisations was designed to counterbalance the Minister's power in the commission.

**The TOT.** The TOT had been more amenable to policy changes since the rise of pro-reform technocrats to powerful positions under the second Anand government; in particular, Roungroj Srirapertsuk as the board Chairman and JumPol Herabat as the Managing Director. As soon as they took charge of the TOT, Roungroj and his team undertook many reform programs in which telecommunications liberalisation was included. Apart from setting the target figure for the telephone penetration rate in accordance with the Seventh NESDP and the Communications Master Plan, the TOT agreed to abide by the first-phase liberalisation in value-added services indicated by both plans. On basic services, the TOT was pressured to undergo rapid privatisation because of its inability to cope with the surging demand for telephones, estimated to increase by six million lines during the period of the Eight NESDP (1997-2001). In its first real move towards privatisation and liberalisation the TOT called for a multi-million baht bid to hire an international consultant to study its organisational reforms at the end of 1992.

The TOT under the new management was more receptive to new ideas and ready to adapt itself to the changing world economy because technocrats who were well aware

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47 Members of the commission would include the Deputy Minister, NESDB Secretary General, Secretary General of the Juridical Council, Secretary General of the National Security Council, MOF Permanent Secretary, PTD Director-General, and one other expert. See details in *The Nation*, 1 March 93.

48 Interview with Mr. Sethaporn Cusripituck, Deputy Director General, the PTD.

49 Both plans indicated that by the end of the Seventh Plan in 1996, all demand for telephones should be adequately met. Moreover, a minimum ratio of 10 telephones per 100 people should be achieved by that time.

50 The Seventh NESDP (1992-96) and the Communications Master Plan (1992-2001) specified that by the end of 1996 all value-added services would be liberalised, to be followed by competition in basic services thereafter.

51 Coopers & Lybrand won the contract. Its study, which was completed in early 1995, proposed three alternatives for the TOT's reforms. First, to maintain its present status pending future changes; second, to turn itself into a public company to be listed in the stock exchange, but reserve the majority share to the government; third, to allow initial shareholdings by overseas operators to no more than 10-20 percent followed by a share sale to its employees and the public (*Khoo khaeng*, 13 February 1995).
of the global course of liberalisation like Pisit and Roungroj were on the rise. The General Agreement on Trade in Services (GATS) was now an important factor in TOT future direction thinking, along with the Communications Master Plan which set the target for telecommunications deregulation by 2001.\textsuperscript{52} Moreover, new technology and business-style management were now regarded as crucial elements in telecommunications development and the survival of the organisation. Privatisation was thus considered the answer to improve financial management, manpower training, marketing, planning, and maintenance operation. It would also help resolve the problems of outmoded bureaucratic regulations and government financial control.\textsuperscript{53}

As TOT executives agreed with telecommunications liberalisation, they gave top priority to the privatisation of their organisation in preparation for its future competition with private companies. According to Roungroj, the TOT would be privatised through a reduction of state ownership to no more than half of the total equity. After the privatisation, the TOT would no longer engage in providing value-added services in competition with small operators, but would provide equal access to all these operators to lease its basic networks.\textsuperscript{54} In Roungroj's view, an independent regulatory body was needed, with free and fair competition between large and small operators to be ensured by new telecommunications laws.\textsuperscript{55} When the consultancy report on TOT privatisation was produced in 1995, the TOT board officially chose to turn the state enterprise into a public listed company by the end of 1996.\textsuperscript{56}

\textsuperscript{52} Interview with Mr. Direk Jaroenphol, TOT Deputy Managing Director. According to the GATS framework, signatory countries will complete a national schedule in which they set out the restrictions they will apply to market access to foreign telecommunications providers. But every few years, an international conference will be held to bring all parties to negotiate reducing the extent of reservations in their schedules. Therefore, the market will be progressively opened. In parallel with GATS, however, bilateral agreement to open market access is carried out on the basis of negotiations by reciprocity. See GATS negotiation in Alan Oxley, \textit{International Trade in Telecommunication Services: The Pressure of Free Trade Paradigms}, Policy Research Paper No.12, (Melbourne: Centre for International Research on Communication and Information Technologies, 1991).

\textsuperscript{53} Ibid.


\textsuperscript{55} Ibid.

\textsuperscript{56} The TOT board made the decision on 18 January 1995. The TOT was to initially allow a 25 percent shareholding by the private sector by October 1995. Meanwhile, it will be prepared for public listings following ongoing legal amendments of the telecommunications sector. Finally, 21 percent of its shares
The CAT. While the Telephone Organization’s policy regarding regulatory reforms was quite consistent under Chuan, the Communications Authority’s position moved back and forth following frequent changes of its board. The CAT under Chavalit Thanachanan, a former Governor of the Bank of Thailand who had been appointed under Anand, adopted a pro-reform position similar to the TOT’s. Under his Chairmanship, the CAT formally informed the Post and Telegraph Department that it was ready for regulatory reforms and that legal amendments were needed to turn state telecommunications agencies into public companies. 57 A significant development in CAT policy was that privatisation under BTO schemes was no longer preferred as the strategy for telecommunications development. According to the view of a CAT senior executive, the more competitive nature of this business forced the latecomers to offer very high fees (more than 40 percent of their total revenues) to the state under BTO schemes. Consequently, consumers had no choice but to bear large cost burdens. Hence the CAT under Chavalit opted for the privatisation and liberalisation of the industry as the solution by which the balance of interests of government, private investors, and consumers could be maintained. 58 Along with the TOT’s action, the CAT set the pace for privatisation by hiring a consultancy to make preliminary recommendations for reform to be followed by another study working out details for its restructuring. 59

The CAT’s pro-reform position was turned into ambiguity after the replacement of Chavalit by Smith Thammasaroj, a conservative bureaucrat who was appointed

will be floated to the public while another 5 percent sold to its employees in October 1996. See details in Khoo khaeng, 13 February 1995.
57 CAT also suggests that it needs more flexibility in complying to cabinet resolutions and MOF regulations to carry out its functions. There must also be clear definition about TOT and CAT responsibilities. See Phujad karn, 26 November 1992.
59 The Thailand’s Development Research Institute (TDRI) recommended in 1993 that the CAT be corporatised and partially listed in the stock exchange. Following TDRI study, Touche Ross & Co. was hired to work out the CAT’s corporatisation. The study completed in 1995 proposed the restructuring plan which would make the CAT into a public company in the next 4-5 years. See details in Khoo khaeng, 7 December 1992, Thai Financial, 5 November 1993, and Phujad karn, 13 February 1995.
Director General of the PTD at the end of 1992. Disregarding the pro-reform line of the organisation, Smith went his own way in trying to extend the power of his office in relation to CAT affairs. While agreeing with the abolition of the TOT and CAT monopoly, Smith instead proposed that his organisation take over the regulatory power itself. Furthermore, he would rather have the PTD empowered to carry out the tasks for which the planned central regulatory body was to be assigned. In his view, the lack of PTD presence in both state enterprise boards in the past was the main problem impeding their coordination that was essential for telecommunications development. Moreover, clientelism caused by political interference and policy changes by political parties were perceived as seriously undermining the management of these organisations.60

The politics of the CAT was not only limited to competition between elements of the bureaucratic polity versus the more technocratic polity, it also involved political rivalry between jao sua and jao pho business firms exercised through the political parties. Firstly, Smith's idea represented the traditional idea of bureaucrats which aimed to preserve or, if possible, increase the power of their state organisations. Whereas the technocrats saw the need to privatise the CAT and rid it of state control, Smith intended to maintain bureaucratic control of the agency by continuing with BTO schemes. Smith was quoted as saying: "The organisation (CAT) is too big to be privatised. The most probable alternative is the privatisation of newly created projects. By the time I am retired, the privatisation of the CAT may still be at an embryonic stage."61

Secondly, the removal of Chavalit and other board members demonstrated the attempt of the SAP, a jao pho-style party, to control the state telecommunications agencies, leading to conflicts with the technocrats and jao sua-oriented, urban-based parties under Chuan. While Vinai from the Bangkok-based Palang Dharma was appointed Transport and Communications Minister, Somsak Thepsuthin from the jao pho-style SAP (and Montri's right-hand man) was allocated the Deputy Minister

60 Thansetthakit, 7 January 1993.
position. Because of the high priority Montri and SAP placed on telecommunications, Somsak requested control of the state telecommunications agencies in order to strengthen SAP's political and economic clout. However, since Vinai and the Palang Dharma saw the state telecommunications agencies in the same light as SAP, only one organisation, the CAT, was handed over to Somsak as a compromise. Because Chavalit's liberal orientation, which coincided with Vinai's policy, did not augur well for SAP's exercise of political influence through the CAT, Somsak took the view that the replacement of Chavalit by a senior bureaucrat under the direct command of the MOTC would make the CAT easier for him to control. Another reason influencing the board transfer was SAP's perception that Chavalit represented the Anand government which had put on hold many BTO projects Montri had approved earlier, alleging that he and his clique were corrupt.

The ability to control the CAT board through its Chairman would allow Somsak's intervention in CAT affairs, particularly on decisions about BTO projects. Although the replacement of the well-respected board by SAP's own man ran the risk of a public backlash, SAP decided to go ahead with the board revamp, motivated by Montri's awareness of CAT investment plans. In early 1993, there were many large projects valued at billions of baht on the drawing board due to be finalised. For example, an international gateway project costing 3.5 billion baht, a postal distribution centre budgeted at 1.6 billion baht, a submarine cable system valued at 2.5 billion baht, and six other major projects made the CAT an attractive organisation for all political parties. Since Somsak's portfolio was the most valuable position SAP possessed at the time, the economic rents from CAT projects were highly derivable resources for the party to tap. Following Montri's threat to pull SAP out of the government if the board change was rejected by Vinai or Chuan, the government yielded to SAP's demand and approved the board transfer.63 During SAP's one-year term in the coalition, Somsak approved many

62 See details of these projects in Prachachart thurakit, 7-10 February 1993.
63 Interview with Dr. Prasith Prapinmongkolkarn, Director of Chula Unisearch and former CAT board member under Chavalit.
multi-million baht projects, such as a telecom tower and an international gateway project under BTO schemes. Subject to the new law promulgated by the Anand government for regulating BTO projects valued at more than one billion baht, most of Somsak's approved projects were priced below the one-billion-baht-ceiling to avoid bureaucratic involvement in those programs.

In late 1993, the CAT once again swung back to its pro-liberalisation position after a cabinet reshuffle in which SAP was forced to leave the coalition to be replaced by the Seritham Party. Soon after the appointment of Pinit Jarusombat as Deputy Minister, a new CAT policy was announced to speed up liberalisation reforms followed by the replacement of Smith by Sombat Uthaisang, a pro-reform technocrat specialising in telecommunications. While basic services like international gateways were to be self-operated by the CAT until the completion of legal amendments, Pinit ordered open competition for CAT licences for value-added services. More importantly, Pinit set a new policy to abolish concession fees for new projects in order to put an end to state protection of private concessionaires in preparation for future liberalisation of the market. In addition, the removal of state protection of old BTO projects such as Thai Skycom's data communications scheme led to fast liberalisation of value-added services. By late 1994, the criteria and mechanisms for private investments in CAT projects were made transparent so that competition and liberalisation could function better.

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64 For the international gateway project, Somsak faced strong opposition from the CAT not to allow private participation in the international telephone service. Labour argued that there was no need for the CAT to award the project to the private sector, as the CAT had no financial problems and could implement the project itself. Moreover, because the TDRI study was not yet completed, no BTO projects in basic service should be approved. In the end, Vinai asked Somsak to wait for the TDRI study scheduled for completion by the end of 1993.

65 See Krungthep thurakit, 28 May 1994.

66 In an agreement between Thai Skycom and the CAT, an extension of the business license was permitted in exchange for the abrogation of the company's monopoly, scheduled to end in three years (Phujad karn, 29 July 1994).

67 See details of the mechanisms in Siam Post, 21 November 1994.
**B. Political Parties and Business**

**Business.** While the role of the business community in telecommunications politics was neither direct nor clear under Anand, its role was much more active under Chuan, particularly through the political parties. During the early 1990s, local telecommunications groups had grown from small operators of value-added services into relatively large enterprises engaging in both basic and value-added projects in Thailand and abroad. As their businesses became more mature and overseas investments took off, these operators correspondingly promoted the liberalisation of the industry to expand business opportunities at home. The rise of telecommunications business, the increasing dominance of parties in national and telecommunications politics, and the more intertwined relations between the two contributed to the progress towards the liberalisation of this industry.

One of the most important economic phenomena in Thailand during the past decade had been the emergence of local telecommunications firms and their rapid expansion into regional operators. Six local groups – Shinnawatra, Samart, UCOM, Loxley, Telecom Asia, and Jasmine – were dominant players which had developed impressive operations during the late 1980s and early 1990s. Table 4.3 shows the remarkable growth of the three oldest major telecommunications groups – the Shinnawatra, Samart and UCOM – during 1989-94. During the five-year period, Shinnawatra's assets grew 8,159 percent from 686 to 55,976 million baht. Less dramatic was the growth of UCOM and Samart, whose assets still recorded 2,687 percent and 1,879 percent increase respectively. Interestingly, despite the rapid expansion of their telecommunications operations, each of these business groups was still largely controlled by one single family: the Shinnawatra family for Shinnawatra; the Benjarongkul family for UCOM; and the Vilailak family for Samart.
From a tiny computer leasing firm in 1982, Shinnawatra had grown into a large conglomerate employing more than three thousand people by the early 1990s. Figure 4.2 shows that by 1995 Shinnawatra Computer and Communications (SC&C) controlled at least 25 companies in five main lines of business: computer and telecommunications equipment; mobile telephone and data communications; satellite communications and operation; broadcasting and Pay TV business; and international operations. Likewise, Samart had developed integrated telecommunications operations which included manufacturing, servicing, system engineering, and trading business (Table 4.4). On a lesser scale, UCOM and Loxley had expanded into more than ten telecommunications firms each, extending from data communications to mobile and basic telephones (Table 4.5). Despite their late start, Telecom Asia and Jasmine were involved in large basic telephone projects and had rapidly diversified into many value-added services.\(^68\) Not only had these telecommunications groups expanded inside Thailand, but they had also moved their operations offshore in response to the rapid growth of this industry in Asia. Among the local firms, Shinnawatra, Jasmine, Samart, and Telecom Asia had

\(^{68}\) Telecom Holding, owned by Telecom Asia Corp was the major investor in 18 telecommunications firms and had minority interests in 6 other companies. See the structure of the company in *Who's Who in Business & Finance* 1:4 (February 1995).
successfully established their presences in Indochina, the ASEAN region, China, and India (Table 4.6). More local firms were likely to follow suit.

Figure 4.2 Business Empire of Shinnawatra Group


The astonishing growth of local telecommunications firms from unknown operators into integrated telecommunications empires and regional players between the 1980s and early 1990s had dramatically transformed the outlook of these businesses from defenders of state protection to promoters of state liberalisation. Because their dominant positions at home ensured them a head start in any future competition, these

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69 Apart from their commercial success, political connection was also crucial to the rapid expansion of these business enterprises. This particular issue is discussed in Chapter Five.
Table 4.4: Samart Group of Companies

<table>
<thead>
<tr>
<th>Business Line</th>
<th>Companies</th>
<th>Shareholding (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Manufacturing</strong></td>
<td>Samart Engineering</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td>Samart R&amp;D</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td>Samart Satcom</td>
<td>80</td>
</tr>
<tr>
<td><strong>Service</strong></td>
<td>Samart Cable Network</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td>Samart Telecom</td>
<td>45</td>
</tr>
<tr>
<td></td>
<td>Samart Adsat</td>
<td>90</td>
</tr>
<tr>
<td><strong>System Integrator</strong></td>
<td>Samart Communication Service</td>
<td>100</td>
</tr>
<tr>
<td><strong>Trading</strong></td>
<td>Samart Corporation (SBU1)</td>
<td>100</td>
</tr>
<tr>
<td><strong>International - Service</strong></td>
<td>Samart Corporation (SBU2)</td>
<td>100</td>
</tr>
<tr>
<td><strong>International - Trading</strong></td>
<td>Samart Corporation (SBU3)</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td>Cambodia Samart Com.</td>
<td>70</td>
</tr>
<tr>
<td><strong>International - Trading</strong></td>
<td>Samart International</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td>Cambodia Samart</td>
<td>34</td>
</tr>
<tr>
<td><strong>Minority-shareholding</strong></td>
<td>Siam Technology Service (STS)</td>
<td>25</td>
</tr>
</tbody>
</table>

Sources: Phujad karn, 30 December 1992 and 24 February 1993; Krugthep thurakit, 9 June 1994

Firms urged the government to liberalise the Thai telecommunications market in order to increase their opportunities at home. Their overseas expansion was partially forced on them by the limitations of deregulation in Thailand and partially motivated by the growing market abroad. Boonchai Benjarongkul, UCOM President, stated publicly that business fully supported liberalisation in the telecommunications, broadcasting, and entertainment sectors. In this regard, legal amendments that would set up a central regulatory body to establish guidelines for the industry and monitor the competition were required. In Boonchai's view, these reforms would also help make Thailand the regional centre for telecommunications.\(^{70}\)

\(^{70}\) *Asian Communications* 8:12 (December 1994).
### Table 4.5: Telecommunications Businesses of Loxley and UCOM Groups

<table>
<thead>
<tr>
<th>Type of Business</th>
<th>Loxley</th>
<th>UCOM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paging Service</td>
<td>Hutchison Telecom</td>
<td>-</td>
</tr>
<tr>
<td>Trading</td>
<td>Loxley Pagephone</td>
<td>Televiz, Systemat</td>
</tr>
<tr>
<td>Satellite Station (backup)</td>
<td>Thai Sat</td>
<td>-</td>
</tr>
<tr>
<td>Satellite TV Station</td>
<td>Pacific Network</td>
<td>-</td>
</tr>
<tr>
<td>Data Communication</td>
<td>Thai Skycom</td>
<td>Digital Communication</td>
</tr>
<tr>
<td>Telephone</td>
<td>TT&amp;T</td>
<td>-</td>
</tr>
<tr>
<td>Outside Plant (telephone)</td>
<td>TEA</td>
<td>TAC</td>
</tr>
<tr>
<td>Mobile Telephone Services</td>
<td>Loxley Hutchison Telecom</td>
<td>UCOM Terminal</td>
</tr>
<tr>
<td></td>
<td></td>
<td>UCOM Network</td>
</tr>
<tr>
<td></td>
<td></td>
<td>United Utility</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Management</td>
</tr>
<tr>
<td></td>
<td></td>
<td>UCOM International</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Thai Satellite Com.</td>
</tr>
</tbody>
</table>


### Table 4.6: Overseas Investments of Thai Telecommunications Groups

<table>
<thead>
<tr>
<th>Business Group</th>
<th>Project</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shinnawatra</td>
<td>Trading</td>
<td>USA</td>
</tr>
<tr>
<td></td>
<td>Postal Services, Paging Services</td>
<td>Vietnam</td>
</tr>
<tr>
<td></td>
<td>TV Broadcasting, Telecom Services</td>
<td>Cambodia</td>
</tr>
<tr>
<td></td>
<td>Telecom Services</td>
<td>Laos</td>
</tr>
<tr>
<td></td>
<td>Telecom Services</td>
<td>Philippines</td>
</tr>
<tr>
<td></td>
<td>Paging Services</td>
<td>India</td>
</tr>
<tr>
<td></td>
<td>Trading</td>
<td>Cambodia</td>
</tr>
<tr>
<td></td>
<td>Telecom Services</td>
<td>Philippines</td>
</tr>
<tr>
<td></td>
<td>Telecom Services</td>
<td>India</td>
</tr>
<tr>
<td></td>
<td>Submarine Cable</td>
<td>Malaysia</td>
</tr>
<tr>
<td></td>
<td>Trunk Radio</td>
<td>Indonesia</td>
</tr>
<tr>
<td></td>
<td>Satellite Mobile Telephone</td>
<td>SE Asia</td>
</tr>
<tr>
<td>Jasmine</td>
<td>Trading, Mobile Telephone</td>
<td>Cambodia</td>
</tr>
<tr>
<td></td>
<td>Basic Telephone</td>
<td>Vietnam</td>
</tr>
<tr>
<td></td>
<td>Basic Telephone, Satellite Com.</td>
<td>China</td>
</tr>
<tr>
<td>Samart</td>
<td>Basic Telephone</td>
<td>India</td>
</tr>
<tr>
<td></td>
<td>Basic Telephone</td>
<td>Cambodia</td>
</tr>
<tr>
<td>Telecom Asia</td>
<td>Telecom Services</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Paging Services</td>
<td></td>
</tr>
</tbody>
</table>
**TCT.** State-business relations became much more transparent under Chuan when a peak business association was established to institutionalise business relations with the state. Because Minister Vinai made it known that he would not have direct contact with any individual firm, in order to avoid political scandals, business firms faced difficulties in conveying their message to the Minister since there was no formal mechanism for direct state-business communications. As a result, Sarit Santimathaneeedol, Vinai's Chief-Adviser, and Thamrong Saengsuriyachan, His Secretary and the Chairman of the Committees on Transport and Communications, were assigned to tackle the problems raised by business.71 This arrangement was intended to create a more formal channel for state-business relations in response to business lobbying that had previously concerned government contracts rather than policy-related issues.72 Since easy access to the Minister was not provided, business increasingly supported the Telecommunications Association of Thailand (TCT), jointly established by business, university academics, and retired technocrats, as the main organisation lobbying for telecommunications liberalisation. Besides launching media campaigns and discussions to mobilise public support for the liberalisation of the industry, TCT also organised a national conference on telecommunications reform and proposed its own draft telecommunications bills for consideration by the MOTC.73

**The Palang Dharma Party.** The relationship between telecommunications business and political parties, in the particular case of Palang Dharma, became closer as a result of internal changes within the party that swept Vinai and his faction out of power in late 1994.74 The rise of another faction which favoured Bangkok-based business led to the inclusion of prominent businessmen like Vichit Surapongchai and Thaksin

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71 Interview with many journalists and some businessmen, 29 January, 19 February and 23 March 1993.
72 Interview with Mr. Mahidol Jantarangkul.
73 See details of the conference on "Telecommunications Reform in Thailand" in Bangkok Post, 7 August 1993.
74 The Palang Dharma was divided into a group attached to the Santi Asoke Buddhist sect called the 'temple faction' and a non-religious group known as 'the house faction'. While the former demanded that all Palang Dharma ministers be elected MPs and the party's image be maintained at all costs, the latter adopted a more practical approach that allowed compromises to ensure the government's survival. Vinai and many members of the temple faction lost their ministerial positions in 1994 following internal conflicts in the party that tipped the balance in favour of the 'house faction'.
Shinnawatra in the party's cabinet posts. Besides these two famous (but non-elected) figures, a number of businessmen-cum-politicians were also allocated many cabinet seats by the Palang Dharma after the party's internal reshuffle.\textsuperscript{75} Direct political participation by these businessmen not only meant the transformation of the Palang Dharma into a more business-oriented party, but also indicated the rise to political prominence of \textit{jao sua} business within the party. As the benefits to be generated from government reforms were immense, political involvement by telecommunications business that would help shape the direction of the reforms seemed necessary. Soon after the appointment of Vichit and Thaksin to the cabinet, the Palang Dharma Party proposed to the government telecommunications reforms that would privatise state telecommunications agencies and liberalise the industry.\textsuperscript{76}

\textbf{C. Business and the Technocrats}

The status and role of business underwent dramatic changes during the 1990s from being mere concessionaires of the state to its partners investing in overseas markets. The new policy of the technocrats to replace BTO schemes with joint ventures in order to facilitate future reforms, the success of business expansion in Thailand and neighbouring countries, and the goal of state telecommunications agencies to become regional players were major factors shaping state-business relations that promoted their partnership in the region.

\textit{Joint Venture Schemes}. Once hailed as the best available means to carry out private participation, BTO schemes were later seen in a new light as damaging to the success of future telecommunications reforms. As telecommunications liberalisation loomed large, the technocrats overseeing the state telecommunications agencies considered the BTO schemes as problems rather than solutions for future reforms. For

\textsuperscript{75} Although Thaksin's wealth, amounting to 57 billion baht, was unusually high, others were still very wealthy by Thai standards. For example, the fortunes of Vichit Surapongchai, Sudarat Keyuraphand, Pimpa Jantharaprasong, and Thinnawat Maruekapitak ranged from 100 million to more than 800 million baht. See \textit{Matichon Weekly Review}, 15:744 (25 November 1994).

the TOT, the old method of privatisation did not provide equal opportunities to private investors since no criteria regarding the number of operators and their protection were laid down. Moreover, the awarding of licenses on the basis of maximum revenue-sharing offered to the state was productive neither to private investors nor to consumers because it jacked up the cost of services.\(^77\) In addition, BTO schemes were seen as affecting the long-term income of state agencies because they required revenue-sharing with private operators. By the time BTO projects were transferred to the TOT at the end of the contract, those networks would be liabilities rather than assets because of the high cost of their maintenance requirements.\(^78\) As the privatisation of the TOT and CAT was imminent, the more projects operated by the state there were, the more profitable and better opportunity of success the organisations could have.

Since BTO schemes were no longer favoured by the technocrats, the TOT and CAT resorted alternatively to 'joint ventures' with the private sector in carrying out new projects. Because joint ventures did not lead to private control of the projects, the two state telecommunications agencies would still benefit from these ventures even after privatisation. Moreover, since they were not bound by BTO contracts transferring monopoly rights from the state to private operators, both organisations could promote competition by engaging in more than one business venture in similar services. Through minority shareholdings offered for free in many business ventures, the TOT and CAT could practically promote the liberalisation of the industry.

Both CAT Chairman Sombat Uthaisang and TOT Chairman Roungroj Sriprasertsuk stated clearly that while preparing for the privatisation of their organisations, they would pursue joint venture schemes with the private sector to increase SOE incomes and promote liberalisation.\(^79\) In fact, the joint venture method was initially put forward by Roungroj in 1993 when the TOT decided to sign a contract

\(^78\) Interview with Mr. Direk Jaroenphol.
with a private consortium to publish telephone directories. However, this proposal was rejected by Minister Vinai who took the view that the venture contradicted his policy of privatisation. Yet joint venture schemes moved ahead under CAT implementation as the organisation was under the control of Deputy Minister Pinit Jarusombat, who announced the new policy of liberalising value-added services. Since 1994, the CAT has planned a number of joint ventures with the private sector in value-added services, some of which were of the same kind, as the first steps towards liberalisation (Table 4.7). Because the TOT was under Vinai's control, its joint venture programs progressed slower than the CAT's until Vinai left the cabinet in late 1994. Since then, there have been at least eight joint-venture projects prepared by the TOT, ranging from equipment manufacturing to value-added telecommunications services (Table 4.7).

### Table 4.7: The CAT’s Proposed Joint Ventures with the Private Sector

<table>
<thead>
<tr>
<th>Services</th>
<th>Shareholding (percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Satellite Uplink-Downlink</td>
<td>CAT 49%, Shinnawatra</td>
</tr>
<tr>
<td>Satellite Uplink-Downlink</td>
<td>CAT 25%, MOCT, etc.</td>
</tr>
<tr>
<td>Iridium Gateway</td>
<td>CAT 25%, UCOM</td>
</tr>
<tr>
<td>Trunk Radio (UHF-VHF)</td>
<td>CAT 32%, Sahavirya</td>
</tr>
<tr>
<td>Internet (commercial)</td>
<td>CAT 25%, TOT, NECTEC</td>
</tr>
<tr>
<td>Internet (commercial)</td>
<td>CAT 32%, ABAC</td>
</tr>
<tr>
<td>Computer Database</td>
<td>CAT 35%, Loxley, etc.</td>
</tr>
<tr>
<td>Telecom Tower</td>
<td>CAT 10%, MOTC, Crown Property Bureau.</td>
</tr>
</tbody>
</table>

*Source: Khoo khaeng, 7 November 1994*

### Table 4.8: The TOT’s Planned Joint Ventures with the Private Sector

<table>
<thead>
<tr>
<th>Services</th>
<th>Shareholding (percentage)</th>
<th>Current Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cable TV</td>
<td>TOT 10%, UTV, MOTC</td>
<td>Pending cabinet approval</td>
</tr>
<tr>
<td>Cable TV Networking</td>
<td>TOT 49%, UTV, CP, etc.</td>
<td>Pending cabinet approval</td>
</tr>
<tr>
<td>Switching Factories</td>
<td>n.a.</td>
<td>Under Study by Swedetel</td>
</tr>
<tr>
<td>Cardphone</td>
<td>TOT and Shinnawatra</td>
<td>Finding investment formula</td>
</tr>
<tr>
<td>Repair &amp; Maintenance</td>
<td>n.a.</td>
<td>Under study</td>
</tr>
<tr>
<td>Mobile Phone in India</td>
<td>TOT and Jasmine</td>
<td>Approved by TOT Board</td>
</tr>
<tr>
<td>Public Telephone</td>
<td>n.a.</td>
<td>Under study</td>
</tr>
<tr>
<td>Telecom Services:</td>
<td>TOT and Shinnawatra</td>
<td>Approved by TOT Board</td>
</tr>
<tr>
<td>Indochina and Indonesia</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Source: Phu jad karn, 12 January 1995*
Regional Operators. Apart from business prospects considered by state telecommunications agencies, the idea of turning Thailand into a regional telecommunications centre that would transform themselves into regional operators was also very much in the mind of the technocrats. Since both the TOT and CAT had good connections with state telecommunications agencies in neighbouring countries, they decided to team up with local telecommunications groups in overseas markets. While the former were good at providing connections and expertise, the latter could supply capital and management skills. As a consequence, the relationship between state telecommunications agencies and business, which was once seen as clientelistic, was now transformed into a new arrangement whereby a more equal partnership was being established. To pave the way for its business ventures overseas, the CAT succeeded in obtaining a Memorandum of Understanding with Vietnam in late 1994 to cooperate and develop the telecommunications system in that country. It also planned to engage in similar cooperation with telecommunications operators in Indochina, Burma, the ASEAN countries, India, and China. Through the CAT, Deputy Minister Pinit envisioned state-business partnerships in these markets. Correspondingly, the TOT decided to form joint ventures with local firms to undertake telecommunications projects in India and Indochina (Table 4.8). According to Roungroj, the TOT would avoid competing with the CAT in neighbouring countries by concentrating its operations in domestic communications rather than international services in those countries.

4.3.2 The Reform-minded Labour

The political leverage of labour unions declined after the 1991 coup, then picked up a little under the Chuan government when the draconian labour laws were revised, but their role in telecommunications politics remained very limited in this period. The

80 The CAT, being responsible for international telecommunications, had long-term relations with overseas telecommunications operators. Likewise, the TOT, whose responsibility covered cross-border communications, was familiar with state telecommunications agencies in neighbouring countries.
82 See Khookaeng, 13 February 1995.
political decline of the military, previously a major force in the anti-reform coalition, coupled with the increasing liberalisation of industry, forced labour to shift its stance significantly to a demand for privatisation of the state telecommunications organisations in preparation for the coming of competition to the industry. Yet the issue of a central communications committee was rejected by labour, arguing that it would merely transfer a monopoly power from state enterprises to another bureaucratic agency, the MOTC.

Labour played a very limited role in telecommunications politics during the early period of the Chuan government as a result of two new labour laws enacted under the Anand government – the 1991 Labour Relations Act and the State Enterprise Act – to control labour activities. Despite the Chuan government’s approval in late 1994 of the restoration of the rights of SOE labour unions and others that were banned by the laws, the political influence of SOE labour, including the TOT and CAT unions, remained restricted because the right to strike, the main bargaining chip of labour, was still highly regulated. Moreover, as the political clout of TOT and CAT labour had depended much on support from the military, the loss of political power and control of the two organisations by the military since 1992 greatly undermined the potential influence of TOT and CAT labour.

During the early Chuan period when the anti-reform coalition consisting of the military and labour no longer existed and labour laws were under review, TOT and CAT labour agreed to compromise on telecommunications reforms. Knowing that it was no match for the expanding pro-liberalisation coalition, labour no longer opposed the policy of telecommunications liberalisation, given that the TOT and CAT were being made ready for competition with the private sector. "Because self-reliance from state control and outdated regulations was imperative for making the organisation competitive with the profit-driven business corporations, the privatisation of the TOT must precede

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liberalisation”, said the TOT labour leader. In like manner, CAT labour stated clearly its endorsement of CAT privatisation as the first step towards restructuring the organisation to make it competitive with private telecommunications, on condition that the market was opened on a phase-by-phase basis.

Despite its common stance with the pro-liberalisation coalition over the privatisation of the two state enterprises, labour still strongly rejected the idea of a central regulatory body. Competition among state telecommunications agencies led to suspicion by TOT and CAT labour that the planned transfer of regulatory power from their organisations to the proposed body was a ploy by the MOTC to hold on to this power itself. Since the PTD, which was assigned by the MOTC to be responsible for the legal amendment, was tipped to become the Secretariat for the proposed body, this policy was perceived by labour as an indication of the PTD’s desire to control their organisations. No sooner had Vinai become the Minister than TOT labour went to see him, requesting that the establishment of the central commission be reviewed. It remained unclear whether labour’s concern over the neutrality of the commission and of the PTD was genuine or was just a subtle way of rejecting the liberalisation program. In any case, the successful privatisation of the TOT and CAT without the abolition of their regulatory power could mean either their monopoly would continue, but in private hands, or that predatory practices would still arise in the telecommunications industry.

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84 Interview with Mr. Mitr Jaroenwan. Since Minister Vinai confirmed to labour that SOE privatisation would not affect the employment of existing workers, labour support for privatisation was not peculiar.
86 In the past, the TOT and CAT had competed with the PTD in granting licenses on data communications projects to the private sector under BTO schemes.
87 Interview with Mr. Mitr Jaroenwan.
Conclusion

This second phase of regulatory reforms in telecommunications since 1991 illustrates the transformation of Thailand's political economy from a bureaucratic-technocratic polity towards a more pluralistic society, characterised by the rise of urban-based political parties. The bureaucratic-technocratic polity under the first Anand regime demonstrated bureaucratic control of the political machine, including the cabinet and Parliament. Initially, the 1991 coup and the return of bureaucrats to the political stage was marked by ongoing conflicts and competition between the bureaucracy and political parties of the kind that had been continuing for decades. The seizure of assets of former cabinet members accused of involvement in corruption and the effort to cut the ties between provincial businessmen and influential figures from political parties were designed to weaken the political parties and their influence in national politics. Later on the conflicts between the bureaucracy and political parties became overshadowed by political infighting within the bureaucracy itself over the issue of economic reforms, particularly telecommunications reforms.

Telecommunications politics under the Anand government revealed a realignment of the pro-reform and anti-reform coalitions over the issue of telecommunications liberalisation. The pro-reform coalition comprised the majority of the Anand cabinet, Transport and Communications Minister Nukul Prachuabmoh, and the technocrats serving in various economic policy-making bodies and the MOTC. This coalition attempted to accelerate regulatory reforms by legal amendments aimed to abolish the monopoly power wielded by the state telecommunications agencies. At the same time, this coalition put on hold many BTO projects, pending legal amendments and future liberalisation of the industry. In contrast, the anti-reform coalition, consisting of the military, state telecommunications agencies, and labour, called for the continuation of the existing arrangements whereby the TOT and CAT regulated the industry and allowed private participation under BTO schemes. Despite differences over the reform issues (limited privatisation vis-à-vis liberalisation), the politics of telecommunications under both Prem and Anand were quite similar in terms of the interest groups involved and the
nature of their coalitions. However, extra-bureaucratic forces, particularly political parties, which were becoming active under the late Prem government – and especially under Chatichai – played only a minimal role under Anand. The more powerful anti-reform coalition succeeded in the end in overturning the liberalisation reforms manufactured by the Anand cabinet.

The major transformation in telecommunications politics happened when the military, the major force in the anti-reform coalition, lost its political power and thus left the technocrats in control of the most important part of the administrative machinery. This extensive power allowed the technocrats to undercut the power base of the anti-reform coalition, thereby giving them direct control of the state telecommunications agencies and the MOTC. Although the election in late 1992 resulted in the return to power of the political parties and business, the technocrats still dominated most state telecommunications agencies and some of them were recruited into politics. Meanwhile, the pro-liberalisation coalition was boosted by the rising power of the political parties and of local telecommunications business firms. Conversely, the anti-reform coalition collapsed because of the decline in military power and the shift in the positions of the TOT and CAT, which were attributable to technocratic control of these organisations. In effect, labour was forced to modify its position to come to terms with the privatisation and liberalisation policies. Figure 4.3 summarises this transformation of telecommunications politics since the Anand regime.

Although the politics of telecommunication during this second phase was marked by a high degree of bureaucratic influence, neither Riggs' bureaucratic polity model nor Chai-Anand's technocratic polity theory is adequate to explain the dynamic roles of the extra-bureaucratic forces at this time. On the one hand, the first Anand regime could be seen as a kind of Riggssian bureaucratic polity in which the military and bureaucracy were dominant in both the government and the national legislative assembly. On the other hand, serious conflicts between the military leaders and the technocrats under Anand ran counter to the Riggssian view that the military reigned supreme. The second Anand
government proved that the technocrats could in some circumstances prevail over the military, as in the 1992 political crisis. Although this government, which brought many state agencies under the technocrats' control, was more or less a kind of (temporary) technocratic polity, as explained by Chai-Anand, this government itself paved the way for a degree of liberalisation that would ultimately reduce the role of bureaucrats in the economic sphere. This effort contradicts the statist view that bureaucrats are primarily oriented towards maintaining or even expanding their roles and functions, and that their ideas and ideologies (e.g. economic liberalisation) are of no consequence.

Figure 4.3: Telecommunications Politics: the Second Phase

**Anand**

<table>
<thead>
<tr>
<th>Anti-reforms</th>
<th>Pro-reforms</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOT &amp; CAT</td>
<td>Anand</td>
</tr>
<tr>
<td>Military</td>
<td>MOTC</td>
</tr>
<tr>
<td>Labour</td>
<td>Technocrats</td>
</tr>
</tbody>
</table>

**Chuan**

Yet the return to party-based politics under Chuan did not mean that political parties or business simply replaced the bureaucrats entirely. Unlike the Chatichai government, the Chuan government was not an alliance of jao pho-style parties, nor did it prove to be a new kind of jao sua-style politics. Insofar as Pasuk was right in saying that there was an emerging rivalry between jao pho and jao sua businessmen in national politics, this government represented a coalition of urban-based parties, jao sua business, and the technocrats, contesting against jao pho-style parties and the military. The converging views of many pro-reform interests, motivated also by the influential idea of suwannaphumi, gave rise to a growth coalition characterised by a state-business
partnership. The need to prepare for greater competition with foreign firms in the domestic market, and new opportunities in overseas markets that require international recognition and contact, further bolster this cooperation. The triangular relationship now connecting political parties, the technocrats, and business together may suggest a new course for Thailand's political economy.
Chapter Five
Telecommunications and Political Corruption

In addition to the obvious need to modernise the industry, the deregulation of telecommunications in Thailand was intended to cut back the rents and resources associated with it that were controlled by dominant political and bureaucratic institutions. In the past, the allocation of seats on major state enterprise boards was considered a political reward which could be converted into economic value. Under Phibun and Sarit, military and bureaucratic elites had engaged in many businesses evolving around state organisations under their control (Thak, 1979). State control of economic activities, bureaucratic domination of public enterprises, and the economic rents extracted from these enterprises set the framework for bureaucratic corruption when Thailand was considered a 'bureaucratic polity'. Since 1973, however, bureaucratic control (particularly military control) over public enterprises has significantly declined in the face of emerging extra-bureaucratic forces and intermittent democratic governments. Within this political context, the privatisation (and later liberalisation) of state enterprises must also be considered an attempt to address the problem of bureaucratic corruption associated with bureaucratic control of highly regulated industries.

Paradoxically, instead of replacing rent-seeking activities with less-distorted economic operations through privatisation, telecommunications deregulation in Thailand was actually a major cause of corruption itself. The advent of telecommunications liberalisation during the past decade was tainted with controversies surrounding politicians and bureaucrats who played active roles in many BTO projects. Despite its political transition toward a more democratic society, Thailand has recently experienced serious political crises stemming from corruption scandals related to major infrastructure projects, many of which were in telecommunications. It is still debatable how the cause and effect relationships between liberalisation and political corruption have operated. If there is a connection, is it due to some special aspect of the telecommunications industry
the effects of deregulation upon it? Or is it due to liberalisation and deregulation as such? Or to some particular features of the Thai political system? Or some interactions of all these three?

Although it cannot be denied that the interactions of all the three factors shaped the pattern of telecommunications corruption, the Thai political system, increasingly based on factionalised political parties, was indeed the fundamental cause of the expanding political corruption. While liberalisation opened new sources for business activities, it also provided an opportunity for corruption through regulatory changes and the issue of new government licences. In the telecommunications sector, outdated laws and regulations, unable to catch up with fast technological development, caused an overlap in governmental authorities, and legal loopholes which could be exploited. The overlapping responsibilities among many organisations provided on the one hand many avenues for state-business contacts, and on the other hand required legal interpretations and support from the state agencies concerned. As a consequence, telecommunications liberalisation created a market-place for political and bureaucratic lobbying that involved many interest groups, bureaucrats, and politicians. More broadly, the rising power of politicians in conjunction with the political democratisation in Thailand can be seen as leading to the manipulation of the market-place in order to generate corruption revenues for political parties and their associated factions. Because of their weak organisations built on volatile factions barely linked by political or economic ideologies, political parties in Thailand had to rely on financial resources both to buy the loyalty of these factions and to fund political activities centred around vote-buying and rural patronage. As realpolitik was the name of the game, the transition to a more democratic society in Thailand had the unintended effect of lessening bureaucratic corruption at the expense of increasing political corruption.

This chapter will show that political corruption connected to the telecommunications industry derived from the rising power of political parties and business firms in telecommunications policy-making. As the bureaucrats lost their
political supremacy over telecommunications policy, bureaucratic corruption came to be overshadowed by the more lucrative forms of political corruption related to the privatisation programs. In the study of corruption in Thailand, there is a need to understand the local conception that classifies corruption into many levels, each of which invites a different kind of public response. This explains why some corruption scandals, but not others, escalated into national political debates. Moreover, an institutional approach is required to look into the nature of political parties and their relationships with jao pho politicians and businessmen. These two focuses will help us to comprehend political corruption in the context of the changing political economy in Thailand.

This chapter is divided into three parts. The first part explores the conventional understandings of corruption prevalent among western scholars. The second part compares the Thai concepts of corruption (with an application to Thai politics) to others. The last part discusses telecommunications and corruption in Thailand by comparing recent forms of political corruption with traditional bureaucratic corruption.

5.1 Scandals and Corruption: Concepts and Practices

Although corruption is a term constructed by Western scholars, it is nowadays a broad term widely applied to many situations across various societies. Because of its different applications, the study of corruption is complicated by different concepts and definitions, ranging from the physical or moral sense to the perversion of anything from an originally 'pure' state.¹ For contemporary social science definitions, there are different meanings of corruption: the public-office centred, market-centred, and public-interest-centred sources of corruption.² Moreover, corruption and graft are popular terms which may be used in

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¹ According to the Oxford English Dictionary (OED), corruption has nine different meanings. In a physical sense, for example, it means "the destruction or spoiling of anything, especially by disintegration or by decomposition with its attendant unwholesomeness and loathsomeness; putrefaction." In a moral sense, corruption can mean "a making or becoming morally corrupt; the fact or condition of being corrupt; moral deterioration or decay; depravity." See Heidenheimer, Johnston, and Levine, eds., Political Corruption (News Brunswick, NJ: Transaction Publishers, 1989), p. 8.
² For public-office-centred definitions, David Bayley, G. Myrdal, and J.S. Nye defined corruption as deviations from norms based on the concept of public office. For market-centred definitions, Van Klaveren and Nathaniel Leff suggested that corruption implies the non-existence of norms governing office holders. Lastly, the public-interest-centred definitions made by Carl Friedrich and Amitai
place of each other (Key, 1989). The key terms most relevant to this study are 'bureaucratic corruption', 'political corruption', and 'scandals'. When the word 'corruption' is used in this chapter, it signifies a broader term covering all of the three activities. 'Bureaucratic corruption' is the term used when bureaucrats are involved in corruption either by themselves or in collaboration with non-bureaucrats, i.e., politicians, businessmen, etc. On the one hand, politicians may conspire with bureaucrats for the material benefits needed for their political activities. On the other hand, when politicians are politically passive, bureaucrats are free from the risk of political control, and hence able to abuse their authority or misuse their power for private gains while providing incorrect information to the legislatures (Rose-Ackerman, 1978: 216-7). 'Political corruption' or 'graft' is a broader term used when the power and authority of public officials, either bureaucrats or politicians or both, are abused for private gain or for the interests of special groups. 'Graft' is different from scandals as the former implies concealment, the necessary act to avoid the dangers associated with corrupt behaviour, whereas the latter brings the action into the open. Influence buying by private interests and influence peddling by politicians and bureaucrats is at the heart of structural corruption, giving birth to scandals (Logue, 1988).

In general, the norms relating to corruption and the extent to which such actions are tolerated vary across societies. It is not necessarily true that corruption is unacceptable in advanced industrialised societies, but rampant in Third World countries. In places like Japan, routine collusive backstage dealings or structural corruption and influence peddling by politicians are tolerated and even expected (within certain bounds) to counter the strength of the state, the powerful bureaucracy, and the insulation and secretiveness of government deliberations. The access provided by politicians to the early stages of the policy-making process is a service highly valued by the Japanese. The crucial question distinguishing 'honest graft' from 'scandals' is "By whom was it done, for whom, and with what result for the public?" (Macdougall, 1988: 222).

Etzioni, for example, see corruption as the action taken for group interests as opposed to the interests of the public at large. See details in Ibid.
Of the various techniques and tactics of corruption, the most common practices are bribery, extortion, state-bribery, political discrimination, administrative discrimination, and auto-corruption (Key, 1989). Bribery is an attempt to influence an official through an intimate relationship built up by offering financial benefits to the person. Extortion is the abuse or threat of abuse of power in such a way as to secure payment of money or other valuables. Powerful officials are usually the ones who take such initiatives. State-bribery is high-level corruption involving the abuse of public properties or resources for the purpose of political control or extending patronage. Sometimes distribution of public funds or development programs is used for political purposes to control the electoral behaviour of particular groups. Political discrimination relating to law-making and law enforcement, as a result of bribery or intimidation, is common in a society where the transparency of the law and checks-and-balances of political power are in question. Discrimination in the administration of service functions may be influenced by political purposes, ranging from racism to authoritarian rule. Finally, auto-corruption is the channelling of public resources to an official's private coffers in deals involving two or more parties; but the personal gain usually outweighs the group or party advantage. For instance, the official may award contracts to himself through dummy companies.

In addition to the above-mentioned techniques, there are major subsidiary tactics employed to supplement political corruption. Maintaining secrecy is crucial to avoid the risk of scandals. In this regard, money may pass through many hands before it reaches its destination. Also, camouflage and counter-propaganda are used to disguise certain corrupt practices to lessen public criticism. If the situation is very bad, 'dust' may be raised to create confusion and doubt about what the facts really are. Moreover, evasion of legal requirements and government regulations is common in the award of public contracts, either to speed up a project or open up opportunities for corruption. For example, contracts may be divided so that they can be concluded under the legal provisions allowing purchasing or dealing without calling for bids or seeking cabinet
approval. Manipulation of contracts and purchase specifications by officials in favour of particular groups is also a regular practice. Lastly, the coalition of various interests benefiting from the privileges given as a result of bribery, political domination, and other corruption, for the purpose of securing some mechanism of corruption, may exist if the stake is high and the number of interests involved are many. A powerful coalition of corruption rings may result in the suppression of opposition through intimidation or other methods (Key, op. cit.).

Although corruption is widely perceived as decadence in a society because it causes harmful effects to the political system, undermining economic development, and disrupting social goals, there are circumstances in which corruption can bring about positive effects for economic development. On the one hand, Bayley (1989) has explained the negative consequences of corruption in causing failure to achieve national objectives, pushing up the price of public administration, reducing the resources available for public development programs, lowering public faith and respect in the state authorities, setting bad examples to the community by bureaucrats and politicians, undermining the political will necessary for political action, giving priority to political contacts and connections over rational considerations, and leading to wrangling over litigation, charges, and scandals. On the other hand, Leff (1989) has argued that corruption is not necessarily destructive. In a situation where the government is indifferent to the demands of business, corruption can compensate for the absence of business participation in policy-making and can eventually secure state endorsement for economic activities. If the bureaucracy is a decisive force behind business success, graft will provide the incentives necessary to mobilise support from bureaucrats. Moreover, lack of confidence and uncertain economic outcome resulting from unstable political regimes and government policies may be lessened by graft, which will ensure a certain degree of business continuity. State protection during the initial period of production is usually needed in most industries, and corruption can increase investors' confidence in
the continuity of a policy. Lastly, the high cost of corruption may, conversely, force business to be more efficient in order to muster enough revenue to pay for extra expenses.

No conclusion can be reached as to what are the main causes of corruption. Three major approaches – the cultural, institutional, and modernisation perspectives – have given different explanations about the origin and existence of corruption that could be applied to various Asian societies. Scott (1972) focused on political culture as the main reason for corruption in contemporary Thailand and nineteenth-century Britain. Political patronage, personalism, and clique politics are cited as major reasons for political corruption. Corruption is restricted to a narrow elite stratum, in which struggles for power, wealth, and status among elite cliques take place. The outcome of the clique struggles depends on control over the financial, administrative, and coercive organisations of the state. Clique struggles lead to corruption for the following reasons. First, personalism and factionalism based on patron-client relationships are nurtured by the advantages given to clients through promotion, state enterprise administration, and decision-making power. Second, public administration is used as a political means to service clique patronage and private gains. Third, clique fragmentation demands ongoing efforts to attract new followers and extend the clique network. Corruption in the forms of political promotion, opportunities for profits and promise of benefits becomes a natural part of clique-building. Fourth, personal favouritism that maintains the loyalty of subordinates and their meaningful contacts reigns over the merit system. Lastly, public enterprises are used for the patronage needs and private income of the clique structure. Therefore, top bureaucrats at the apex of the pyramid of clique structures are termed 'bureaucratic capitalists' and 'bureaucratic extortionists'. By and large, these explanations by Scott about political corruption reflect the political culture depicted by the Riggian bureaucratic polity model.
Shifting away from the political culture approach, Macdougall (1988) has adopted an institutional approach to explain the political corruption and scandals prevalent in the industrialised society of Japan. In Macdougall’s view, the working relationships among politicians, bureaucrats and businessmen are at the heart of political corruption and scandals. Structural corruption is perpetuated by the influence peddling of politicians in politics and the bureaucracy. There are certain aspects of Japanese political economy that exacerbate such political interference. First, a highly regulated economy and strong bureaucratic state in Japan made the bureaucracy especially powerful in its control over business licensing, allocation of credits, and the use of foreign exchange. Second, democratic politics in Japan is centred on individual candidates rather than the fragmented and poorly articulated party structures. Japanese politicians develop their own personal support associations called *koenkai*, comprising local politicians and leaders of social organisations. This system is very costly but serves as a channel of interest articulation by constituents to politicians. Third, due to the financial needs for maintaining the *koenkai* mechanism, politicians serve as intermediaries between business and bureaucrats in arranging special deals. Therefore, the line between public and private interactions among politicians, businessmen, and bureaucrats become blurred, resulting in many scandals. Fourth, a constantly expanding economy has for many decades provided increasing resources for the state. The Liberal Democratic Party (LDP), which remained in power for a long time, allocated the enlarged resources for national development and, by doing so, ensured that the government would remain in power. As a result, LDP supporters were handsomely rewarded while prospective candidates were attracted to the party.

In Japan, politicians attract support from bureaucrats by endorsing their policy proposals, creating public corporations to which bureaucrats can move when retired, and recommending some of them for LDP candidacy. The political mechanisms of *koenkai* serve as employment agencies, school placement offices, social clubs, and other service centres. Huge sums of money are needed to run *koenkai*, but little of this money comes from politicians. A larger portion of the money is derived from public projects and
political funds mobilised from business firms through the party. In this regard, the influence of politicians and their factions depends upon their ability to serve as intermediaries between business and the bureaucracy. The political funds received will be greater if the faction does a good job in its intermediary rules. Funds distributed by the factions to their members are far larger than the amounts sponsored by the parties. Owing to the significance of political funding in Japanese politics and the obligation of political factions towards business firms and bureaucrats, fund-raising from corporate sources is an integral part of structural corruption in Japan. Some examples of such corruption are worth looking at. Stock may be transferred to politicians at par or market value in anticipation of short-term gains. Other properties like real estate may be sold to politicians cheaply and then bought back at a higher price. Bidding for government contracts is a popular means of awarding public projects to particular business firms, while politicians and bureaucrats receive commissions from the successful companies.

In favour of a more universal approach, in contrast to the emphasis on local culture or any particular institution, Huntington (1989) has relied on modernisation theory to explain the widespread corruption in developing countries of Asia, Latin America, and Africa. In Huntington’s view (1989: 387):

Corruption is most prevalent in states which lack effective political parties, in societies where the interests of the individual, the family, the clique, or the clan predominant. In countries like Thailand and Iran, where parties have had a similarity at best, corruption on behalf of individual and family interests has been widespread.

Huntington explained his thesis as follows. First, modernisation involves a change in the basic values of society. New standards of belief will result in a condemnation of the corruption that had traditionally been tolerated. Second, modernisation brings about new sources of wealth and power and the rise of new societal forces. These new groups and their new resources will struggle to establish themselves in the new political sphere. "There is thus the corruption of the poor and the corruption of the rich. The one trades political power for money, the other money for political power. But in both cases something public (a vote or an office or decision) is sold for private gain", wrote
Huntington (1989: 379). Third, modernisation leads to the expansion of governmental authority and multiplication of the activities under state regulations. The multiplication of laws and regulations ultimately leads to new opportunities for corruption.

In broad terms, each of these three views is appropriate to explain corruption in its different forms. When applied to Thailand, the cultural approach would be most useful to an understanding of 'bureaucratic corruption' and the patronage system linking bureaucrats at many levels with business and other state clients. Thailand under bureaucratic domination (particularly in the pre-1973 period) would be an ideal case for Scott's explanation. In contrast, Macdougall's institutional approach, with its special focus on Japanese political parties, the bureaucracy and business, can be applicable to some countries like Thailand where factionalism within parties and their political mechanisms requires a lot of funds which are acquired through political donations and corruption. Turning to modernisation theory, Huntington was right in saying that many Third World countries have similarly experienced extensive corruption at a certain stage of their political transition. However, he was unable to spell out at what stage of development corruption would phase out or how the existing networks of corruption could be eliminated. Nor was the concept clear enough to pinpoint who or which organisation actually engaged in corruption. It seemed that every power and emerging force was motivated towards corrupt activities in order to increase either its wealth or power.

In the following section, I will focus on Thai concepts of corruption, together with the institutional changes occurring there, in the political parties in particular, in order to understand the politics of Thai corruption. While Scott's clique-politics and bureaucratic-patronage system are seen as parts of a much more wide-ranging conception of corruption in present-day Thailand, the discussion that follows will emphasise the institutional approach put forward by Macdougall to look at the nature of the political parties which have recently become the determining factor behind political corruption in Thailand.
5.2 Scandals and Political Corruption in Thailand

5.2.1 The Thai Concepts of Corruption

While all kinds of graft are perceived as corruption in most industrialised societies (Southern Europe and Japan may be exceptions), the conception of corruption in Thailand is not quite the same as the traditional views mentioned. Although the modern code of conduct defines corruption of public officials to include extortion, acceptance of bribes, and the use of official position for private gain, as the most common corrupt practices in any society, there is a high degree of public acceptance of many activities legally defined as corruption in Thailand. For example, gifts presented to a public official for services rendered are seen as a way in which people pay respect to his office and a means through which he can raise his income to a level commensurate to his position. Also, private gain from the distribution of public funds and other forms of kickbacks are widely accepted as part of the honour and income-augmenting practices of public office. These norms and practices are elements of traditional culture carried over from the 'pre-modern bureaucratic system' into a 'modern bureaucracy' (Pasuk and Sungsidh, 1994).

In Thailand, corruption is not perceived as a broad term covering all kinds of graft involving state officials, but is used for specific instances of certain kinds of graft at a high governmental level. In other words, not all graft and abuses of power are seen in the same light, because the Thai categorise corruption into many different levels. According to a study by Sungsidh (1993a) on the perception of corruption in Thailand, the Thai people classify corruption into as many as seven levels, each of which invites a

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3 The Counter Corruption Commission (CCC) is empowered to take actions on two kinds of activities. First, government officials abuse their positions for benefits to themselves or others. Second, officials abuse their positions and neglect their duty or bypass orders in order to misuse public funds. See Pasuk and Sungsidh (1994).

4 This study combines various methods including the random sampling of 2,243 people from 19 occupations, interviews, and focus group discussions of five major societal groups – academics, politicians, businessmen, NGO representatives, and public officials. The 19 occupations selected for the sampling are corporate shareholders, medium-scale businessmen, politicians, academics, journalists, students, NGO workers, professionals, public officials, the military, the police, white-collar employees, public enterprise employees, vendors, slum dwellers, self employees, farmers, and village headmen.
different kind of public response. Ranked from less to more severe misconduct are sin nam jai (gift of good will), kha nam ron nam cha (tea money), praphuet mi chob (improper behaviour), sin bon (bribery), rith thai (extortion) thut jarit tor nathi (dishonesty in duty), and kan khorrapchan (English corruption). While most of these forms of misconduct are tolerated to a certain degree by the public, kan khorrapchan, the most serious of all categorised misconduct, is used in a similar way to the Western conception of political and bureaucratic corruption. Moreover, kan khorrapchan also invites much stronger public reaction than any other kind of graft. Looking at all these concepts in relative terms,

At one end of the spectrum, the phrase (sin nam jai) implies a traditional form of showing gratitude, typically applicable within the context of a patron-client style of relationship. At the other end, the word khorrapchan has been inducted into Thai from English to describe payments which are without doubt morally wrong, and possibly also criminal and socially destructive. (Pasuk and Sungsidh, 1994:125)

Most people perceive that kan khorrapchan includes the following activities: embezzlement of public resources for personal use; commission fees given to the military for arms purchases, the appointment of the government's own men as senators, and gift-cheques donated to politicians by business (Sungsidh, 1993a: Table 14; Table 18; Table 21; Table 24).

In addition to the above classification, there are other kinds of misconduct which are also considered inappropriate. For example, the distribution of money by politicians during elections is seen by most people as kan seu siang (vote buying), not kan khorrapchan (corruption). Others are phruettikan thi mai khuan kratham (inappropriate behaviour), kan borihan ngan mai mi khunnaphap (inefficient administration), ngoen tam nam (commission fees), kan khorrapchan thang sin tham (moral corruption) (Pasuk and Sungsidh, 1994).

The Thai conception of corruption is likely to affect the way in which the public responds to controversies surrounding corruption scandals in Thailand. Routine bureaucratic corruption (in the Western sense) is more tolerated than political corruption
involving political parties and business. Although commissions given to bureaucrats involved in public infrastructure projects are believed to be widely prevalent, this kind of action has hardly ever developed into a national controversy. Nepotism is also widely practiced in the bureaucracy alongside the patronage system and clientelism. Tea money and gifts of goodwill are also expected when one comes into contact with public officials handling legal matters and other services. School entrance fees (on top of publicly acknowledged education expenses) from elementary level up to high school are not only expected, but also demanded by most private schools in Thailand. These corrupt practices are largely ignored because they are not perceived as kan khorrappchan that is gravely harmful to society. In contrast, irregular deals between politicians and business and arms deals between the military and business attract strong public attention and criticism.

While political intervention in Japan is viewed as a counterbalance to bureaucratic influence as argued by Macdougall, influence peddling by politicians in Thailand is not perceived as an acceptable form of countervailing action against an all-powerful bureaucracy, but is severely attacked as the cause of injustice and kan khorrappchan. Interestingly, as the political regime has become more democratic, the public is paying more attention to corruption scandals related to political parties and business (and the military to a lesser extent). The corruption scandals during the three-year administration of Chatichai dwarfed the scandals throughout the eight-year-term of the Prem regime, for the more active roles of politicians under the Chatichai government, combined with stronger public scrutiny, contributed to the wider spread of information about various cases of corruption.

Despite the high degree of politicisation about corruption scandals under the democratic government of Chatichai, there were indications that political corruption in Thailand was relatively less than bureaucratic corruption, and that the more democratic the government became, the lower the level of both bureaucratic and political corruption was. It was estimated that political corruption in Thailand could be valued at 0.01-0.14
percent of GDP since the Sarit regime, compared to an estimate of bureaucratic corruption at 0.4-0.9 percent of GDP throughout that period. Moreover, both political and bureaucratic corruption under the authoritarian regimes were relatively higher than under the more democratic governments. For example, political corruption was estimated at 0.14 % of GDP under Sarit (1957-63) and then declined to 0.05 % under Thanom-Praphat (1964-73), and 0.04 % under Chatichai (1988-91). Meanwhile, bureaucratic corruption was as high as 0.4 % of GDP under Sarit, 0.9 % under Thanom-Praphat, 0.84 % under Sanya and Kriangsak (1973-79) before dropping to 0.7 % and 0.66 % under the more democratic governments of Prem and Chatichai. In spite of the crudeness of these estimates and comparisons, this study demonstrates that the Thai conception of kan kho"apchan, which emphasises political rather than bureaucratic corruption, does not necessarily conform to the general trend of faster decline in political corruption than bureaucratic corruption over the years.

The techniques of political corruption in Thailand are not basically different from those used in other societies. However, some techniques are more common than others. In most cases, corruption under authoritarian regimes was mostly committed by way of four main techniques: diversion of state income, such as lottery and military budgets; cuts on government expenditure in the forms of kickbacks and setting up dummy companies to engage in public projects; fees for services and government licenses; and seizure of assets like land and shares of opponents. In general, corruption under the more democratic regimes has concentrated on cuts in government expenditure and fees for services. Most bureaucratic corruption, regardless of a political regime, has involved diversion of expenditure flow through kickbacks and commission fees obtained from government projects, purchases of materials, and bidding projects (Pasuk and Sungsidsid, 1994).

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5 Political corruption is calculated from the value of assets seized from former cabinet members accused of corruption. These assets are then converted into the percentage of GDP during the time each government was in power. See Pasuk and Sungsidsid (1994: Table 5.2, p.36).
6 Bureaucratic corruption is calculated from the amount of unexplained assets the Counter Corruption Commission discovered from bureaucrats against whom complaints were filed. The amount is then compared to the percentage of GDP during the respective period. See Ibid (Table 4, p.34).
With regard to the diversion of public funds, many forms were employed by both politicians and bureaucrats. The allocation of government spending by politicians for political purposes (pork barrel politics) is always a hot issue, intensely debated among members of the parliamentary finance committee. 'Auto-corruption', the awarding of government contracts to companies owned by the officials concerned, is committed by both politicians and some high-ranking bureaucrats. It was reported that a construction company owned by Class Five of the Chulachomklao Military Academy was awarded a number of substantial military-related contracts (Stier and Anyou, 1992). Manipulation of contracts and purchase specifications is a common practice among state agencies procuring high-value supplies like arms and telecommunications equipment. For instance, the Terms of Reference (TOR) is used to give favours to certain equipment suppliers or to prevent certain businesses from winning the bid. Following the manipulation of the bidding process, a commission is then paid by the successful bidder or contractor to the officials concerned. In an arms purchase worth US$ 2 million, for example, arms worth only US$ 1.26 million may be delivered to the Thai armed forces, owing to commission fees and other expenses paid to military officials. The increasing privatisation of state enterprises may produce a new form of political corruption, the transfer of company stock to state officials at par value prior to the stock listing. Evasions of government regulations also occurred many times under the Chatichai government when cabinet ministers tried to cut short the policy-making process and avoid the NESDB's scrutiny by allowing private investments in government projects. One economic minister under the Chuan government also tried to divide a large project into many smaller contracts to fit within the legal limits regarding deals that can be made without cabinet approval. For large-scale projects involving politicians, senior bureaucrats and big business, coalitions of interests or corruption rings may be formed to smooth out the processes of political corruption.

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7 A service charge estimated at 13 to 17 per cent or $300,000 will be paid to military officials in addition to $200,000 advance favours, and $40,000 commission. Moreover, the manufacturer's profit of $200,000 will be deducted (Stier and Anyou, 1992).
5.2.2 Political Parties and Structural Corruption in Thailand

The Thai conception of corruption classifying corruption into many levels makes general explanations such as Scott's clientelism and Huntington's modernisation thesis inadequate to explain corruption in contemporary Thailand. When those scholars argued that corruption was rampant in Thailand, they neither understood the local meaning of corruption nor were able to explain how and why the political parties engaged in corruption. 'Bribery' and 'tea money' may be frequently and easily noticed in Thailand, but it is not the same as saying that corruption in the local context (kan khorrapchan) exceeded that elsewhere. Turning to Scott's explanation of the predominance of patron-client relationships, corruption under Scott's patronage system is likely to be corruption within the bureaucracy based on the bureaucratic polity approach. Since political parties and business have emerged as the major political players alleged to be engaging in large-scale corruption, Scott's approach is outmoded as a means of shedding light on political corruption in Thailand today. In any case, although patronage relationships and clientelism are common socio-cultural phenomena throughout Asia, not all Asian countries are prone to rampant corruption.

If Scott's explanation is deficient because its logic is incomplete, Huntington's modernisation theory is seriously challenged by empirical evidence. Frequent corruption scandals, connected to the Mafia, politicians, and businessmen in advanced industrialised countries like Japan and Italy counter the thrust of Huntington's argument that political modernisation determines the extent of corruption. Ironically, corruption scandals in Thailand seemed to be more associated with economic deregulation rather than increased governmental control and regulation as suggested by Huntington. If there is anything useful about modernisation theory here, it is the thesis that the rise of new social groups will lead to struggles and corruption because rules and standard practices are not yet established. For example, Thailand under Phibun and Sarit experienced corruption involving top bureaucrats and Chinese businessmen; the former aimed to establish political power and the latter tried to increase their economic presence.
To better understand Thai political corruption, the transformed political economy of Thailand, together with its institutional changes, must be taken into account. An institutional perspective along the line of Macdougall’s discussion of Japanese *koenkai* mechanism will be useful for examining political parties in Thailand. Certainly Thai political parties are much smaller and not as well established as the Japanese LDP, but there are networks of *hua khanaen* (voting chiefs) operating in a similar manner to *koenkai* which connect politicians with provincial bureaucrats and businessmen. Factionalism within parties and the complex networks of *hua khanaen* therefore provide a basis for structural corruption in Thai politics.

The changing political economy during the past three decades gave rise to the two types of businesses mentioned in Chapter Two, first the *jao sua* group and then *jao pho*. These emerging groups later participated in the forms of corruption previously dominated by bureaucrats. During the 1950s and 1960s, when the bureaucracy and the military were all-powerful, corruption mainly involved the military, the bureaucracy, and Bangkok-based business firms. The increasing threat of infiltration of communist doctrines from neighbouring countries during the Vietnam War resulted in large inflows of foreign (i.e. US) aid and an increase in the defence budget. These resources became targets for corruption by military officials and bureaucrats. Meanwhile, business sought protection from government officials for business activities, tax privileges, and connections. As many medium-scale and large-scale businesses emerged, the most successful businesses expanded into large conglomerates. Corruption was often essential for fast expansion and capital accumulation by urban-based (*jao sua*) businesses during its early phase of development (Pasuk and Baker, 1993). The situation has changed rapidly since the late 1960s and early 1970s, however, when external threats subsided and the military’s role in politics declined. After the US scaled down both its military involvement in Vietnam and military assistance to Thailand, the Thai military was forced to obtain extra income from sources other than military aid. Secret military budgets, narcotics, smuggling, arms purchases, rigged bidding for public projects, logging, and
control of state enterprises were new sources of corrupted funds for military officials and other bureaucrats. Together with these developments and infrastructure investments since the Vietnam War, capital accumulation in the provinces, starting with trade in agricultural commodities, logging, entertainment businesses, commerce, and so forth, grew so quickly that it soon produced a handful of jao pho businessmen, many of whom were engaged in corrupt activities with military officials and bureaucrats.

The growth of rural business activities and increasing frequency of national elections after 1973, despite interruptions by military coups and the military's political interventions, led to the emerging influence of jao pho businessmen, particularly through direct participation in local and national politics, or through involvement in the networks of hua khanaen for politicians of various levels. The rising political influence of jao pho must be seen in connection to the growing political importance of political parties arising out of their involvement in vote-buying, factionalism, political patronage, and political corruption. Since the 1969 election, hua khanaen comprising village headmen, factory owners, and underground lottery vendors have become a regular part of political campaigning, after the long period without elections in the 1960s. The debut of a coalition government after the 1975 election, and the institution of a quota system for cabinet positions based on the number of MPs a faction leader could control, dramatically increased factionalism within political parties, as factions became the crucial building blocks for the parties. Because each party tried to bring in as many factions as possible in order to expand quickly and increase its chances of joining the governing coalition, financial support to the party and its electoral organisation became increasingly dependent on these factions. Since the strongest factions of any party were based on the local hua khanaen system, faction leaders who were able to control an extensive network of hua khanaen in many districts were best able to increase the potential number

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8 An interview with Dr. Pasuk Pongpaichit, Dr. Sungsidh Piriyarangsan, and Dr. Nualnoi Treerat in Siam Rath sapda wijarn 40:13.
9 Political factions may also be formed by ideological, regional, personal, kinship, monetary, business, and electoral ties. However, electoral ties based on the hua khanaen system prove to be the most important in every party. See details in Ockey (1994).
of MPs within their control and provide them a good chance of winning party executive position or becoming cabinet ministers (Ockey, 1994). Because most parties were newly established during the 1970s (with the exception of the Democrats) and still had inefficient and loosely organised structures, party factions and their networks of local *hua khanaen* resorted to vote-buying to ensure the electoral success of each candidate. Reports of vote-buying began to increase significantly after 1969 and by 1988 an estimated 10 billion baht was reportedly spent on vote-buying in that election (Ockey, 1992).

As Thai politics came to be dominated by political factions, their networks of *hua khanaen* and vote-buying, political patronage and associated political corruption became common phenomena accompanying the rise of *jao pho* politicians. In order to expand their political influence while expanding political patronage through the *hua khanaen* system, three important means were employed by *jao pho* politicians. First, their potential allies and *hua khanaen* would be appointed to advisory positions or to the Senate. Within the bureaucracy, state enterprise boards and senior bureaucratic positions were also prime targets for political transfers. Second, once they had assumed their ministerial position, politicians would use political favours and their office to build up ties with influential *hua khanaen* and businessmen. Granting of government licences and contracts and regulatory changes to benefit certain groups of business were often used for political objectives. Finally, cabinet ministers were obligated to provide financial support for the party's activities and for the MPs under their wing, and to lure potential candidates into their factions at the next elections. Since many politicians used their privileges and positions for financial gain to fulfil their obligations, constant allegations of political corruption followed (Ockey, 1992; 1994).

The increasing political participation of non-bureaucratic elements through elections and political appointments brought about conflicts between politicians and bureaucrats over the issue of corruption. As politicians moved to extract corruption revenues to build up political machines, they tried to cut the corruption flows to the
bureaucracy (including the military) which were used for maintaining its political weight. Since the mid-1980s politicians have also mounted attacks on the military budget and on arms purchases, causing serious rifts between the military and political parties. For this reason, the coup in 1991 could be seen as taking place within the context of competition over corruption revenues, which could potentially alter the entire political balance of the system. In Pasuk and Sungsidh's view (1994: 15),

The military which has been involved in time-honoured forms of bureaucratic corruption is unhappy about the intrusion of new power groups which may be getting better access and using better techniques to garner the corruption revenue. The contest is not only about sharing the corruption money, but it is also about the balance of political power. By permitting the new power groups to have access to corruption money, the military believe they will eventually lose control over the political process. The new power groups will have a free hand to build up political parties and will be able to use party organisation and mass support to suppress the military and the old order. An established parliamentary system will shift political power away from the military.

Not only did the rise of jao pho politicians and their active involvement in politics lead to competition between politicians and bureaucrats, the expansion of jao pho economic activities into jao sua businesses and its corruption through political machineries strained jao pho-jao sua relationships. While jao sua became more mature and freed themselves from bureaucratic controls, jao pho conversely moved to expand their businesses through links with a more extended patronage system and corruption. Pasuk and Baker (1993: 18-19) explained the political competition between jao sua and jao pho business as follows:

From the 1970s onwards, and more particularly from the early 1980s, one major theme of national politics became the emerging tension between jao sua and jao pho, between big business in the capital and the business bosses of the provinces. The jao sua were becoming more international in interests and outlook. The jao pho were firmly focussed on domestic affairs. The jao sua were increasingly involved in manufacture. The jao pho were fundamentally traders. The jao sua increasingly wanted to control politics and national policy-making to aid export-oriented growth. The jao pho looked on parliamentary politics as an extension of their way of doing business. The jao sua were extracting themselves from entanglements with military bosses. The jao pho were building their personal networks from the local up to the national level as quickly as possible. The jao sua increasingly
wanted to dismantle bureaucratic controls on business. The *jao pho* welcomed a chance to manipulate such controls.

5.3 Telecommunications and Corruption in Thailand

Telecommunications projects in Thailand and elsewhere are lucrative targets for political corruption by both politicians and bureaucrats. The huge value of telephone and other telecommunications infrastructure, combined with the monopoly nature of the business, has inevitably led to political and bureaucratic interference in the expectation of handsome benefits. The political nature of telecommunications and its importance for economic development make this economic sector highly susceptible to changes in the power structure and political economy of the country. In the past, corruption on telecommunications was related mostly to equipment purchase and small-to-medium-scale bidding involving the bureaucrats, senior military figures serving in state enterprise boards, and foreign suppliers in collaboration with small local agents. Since the late 1970s and 1980s, the increasing influence of political parties and *jao pho* politicians, together with the growing maturity of local telecommunications business, brought about many corruption scandals surrounding politicians, local business, and the bureaucrats in advancing telecommunications deals between the state and business.

5.3.1 Telecommunications and Bureaucratic Corruption

Before telecommunications privatisation took off, corruption in the industry generally took the form of bureaucratic corruption concerning equipment purchases and turnkey projects contracted to private companies. Major scandals were mostly related to purchases of switching and transmission equipment or bids for outside plant telephone installation, because these projects covered most of the cost of telecommunications investments by the state.

Corruption scandals revolved around irregular deals between the TOT and CAT boards and their bureaucrats, the military, and suppliers of telecommunications equipment. Bribery, auto-corruption, evasion of legal requirements and government
regulations, manipulation of contracts and purchase specifications, and access to secret information about approximate cost estimates for investment projects are conventional techniques used in bureaucratic corruption involving state bureaucrats and business. Because none of these techniques are considered the full-blown _kan khorrarapchan_, and they are regarded as routine forms of corruption found in many bureaucratic agencies, this kind of corruption was mostly ignored by the public and rarely became a major political scandal. The businesses involved in most scandals were foreign suppliers and their Thai agents lobbying state officials for purchasing and servicing contracts. The greater the value of a project, the higher the level of bureaucrats and the number alleged to be involved in corruption. Prior to the Chatichai government, politicians were hardly implicated in corruption scandals at all in the telecommunications sector, as very few of them held MOTC ministerial positions; in fact most of the economic ministers were either public officials or military figures.

**The TOT and CAT.** In the telecommunications area, most scandals of bureaucratic corruption concerned TOT and CAT projects. Connections with the TOT and CAT boards and top bureaucrats in both organisations have provided business with a good channel for injecting ideas, obtaining key information on development plans, influencing the decision-making, and seeking protection from its wrongdoings. The leading bureaucrats of both organisations serve as a bridge linking the board and labour unions on the one hand, and the board and business on the other. The TOT, in particular, was notorious for its interlocking circles of interests reaching from board members at the top down to its labour organisations. The organisation is a popular base for lobbyists working for major telecommunications firms, some of whom gain easy access into the building and personally serve its top bureaucrats as if they are its own employees.\(^{10}\) Active business lobbying in conjunction with many corruption rings resulted in the factionalisation of TOT bureaucrats and intense competition among them. "The factional fighting within the TOT is unbelievable", commented a representative of a

\(^{10}\) Interview with journalists from *Phu jad karn*, 19 February 1993.
foreign telecommunications operator. The existence of powerful coalitions of corruption rings within the TOT was believed to be the major reason for the resignation of a TOT Chairman who felt he was "unable to withstand pressure from the consolidated TOT Mafia" and his own opinions "did not receive a good response from the TOT board." A former TOT executive, who was known "to ask for material benefits from business directly without any fears", was even called the 'shadow Managing Director' as he looked after the interests of such a coalition. It was reported that businessmen were sometimes stunned that the amount demanded was so high, but most yielded to the demands made of them in exchange for contracts. Otherwise they might face ridiculous rules and cumbersome regulations which could undermine the competitive edge of their financial and technical proposals. A CAT board Chairman also admitted that these practices did take place: "I wonder what the real reasons are for the failure of some bidders. From what I heard, some were failed because of tiny things like forgetting to affix stamps on the document or not writing down the date correctly".

At the minimum, bureaucratic corruption was undertaken by business as a preventive measure to avoid such inconveniences or unfair treatment. However, in many cases bureaucratic corruption was used to give an edge for certain business groups over others or to help soften the legal sanctions if a contract was breached. If many offers were made to the officials concerned, it was known among businesses that the one with the best proposal would get better information, which would help in the preparation of technical and financial proposals. Better calculation of costs and revenues would directly enable the bidder to make appropriate proposals closely in line with the specifications set

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11 Interview with Telstra's representative, 21 April 1993.
12 In addition to this reason, he was also facing political pressure from Transport and Communications Minister Montri Pongpanich to resign. See related information about Gen. Jaruay Wongsayan's resignation in Prachacharti thurakit, 2 March 1990.
13 Under the Chatichai government, Paibul Limpaphayom and his Deputy Kiat Siripab, Paththavat Suksrivong, Sanoh Viwarakan, Visudh Puengpapong, Koses Amatayakul, Danai Sundranond, Somkuan Buraminhen, and Olarn Pientham were cited as leading TOT Mafia. See Phujad karn, 13 July 1992 and Prachacharti thurakit, 16 August and 10 September 1992.
by the committee. 16 A delay in project implementation could be covered up by payment of money to officials concerned whose network was extensive enough to thwart legal actions against the company. 17

The Military. Besides TOT and CAT bureaucrats, senior military officials were often implicated in many corruption scandals. Because top military figures had long been appointed to the Chairmanship of the TOT and CAT boards, major projects and important decisions approved by the board must also have been agreed to by the military. Therefore, the military was alleged to provide protection for corruption rings with which it was also associated. Not only were SOE boards chaired by members of the military elite, many of the TOT Managing Directors were also appointed from military or former military personnel during the 1950-1980s. 18 However, military control of the TOT and CAT boards was curtailed under Chatichai when telecommunications privatisation was in full swing and civilian representatives like Sripum Sukhanet were appointed Chairman of both organisations. Therefore, conflicts between the military and political parties were exacerbated and the military attempted to return to the state telecommunications agencies when the political situation permitted in 1991-92.

The coup in 1991, claiming that its aim was to clean up the political corruption committed by the Chatichai government, brought back the military into telecommunications politics. The competition between the military and political parties to control corruption revenues resurfaced when the military regained the control of the TOT and CAT boards, claiming that it was obliged to do so in order to prevent corruption by politicians in the future. One of the first moves by the military after the coup was to appoint Gen. Issarapong Noonpakdee and Air Chief Marshal (ACM) Anand Kalintha as TOT and CAT board Chairman respectively, at the same time as trying to

16 Interview with journalists from The Nation and Phu jad karn, 6 March and 19 February 1993.
17 Ibid.
gain control of the Ministry. Despite its unsuccessful bid to take over the top MOTC position, the military was able to secure the Deputy Minister position in charge of the TOT. As a result, the old coalition pattern of bureaucratic corruption was restored, linking TOT bureaucrats to top military officers represented in both the MOTC and the board. Ironically while political corruption was successfully brought under control, bureaucratic corruption seemed to expand.\(^\text{19}\)

During the period of military dominance, businesses close to the military would seek support from the Chairman of the board and other key military figures in exchange for the financial benefits offered to the men in power. As an example, an influential military figure serving in the CAT board was reported to have interfered in a controversial submarine cable project, leading to the selection of a Japanese contractor.\(^\text{20}\)

In addition, when the short-lived Suchinda government was on the brink of collapse in May 1992, Air Chief Marshal Anand Kalintha, the Chairman of the CAT board, called an urgent meeting of the board to approve ten major projects valued at 5 billion baht, despite strong disagreement from many board members. When the next government took over, these decisions were later nullified by a ruling of the Office of the Juridical Council that ACM Anand had forfeited his Chairmanship position of the CAT board when he was appointed a cabinet member prior to the said meeting.\(^\text{21}\)

**Business.** Prior to the privatisation of the telecommunications industry, foreign business was often involved in bureaucratic corruption, mainly as equipment suppliers and system operators. In the past, major foreign telecommunications operators had dominated the Thai telecommunications market, particularly Japanese and European

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\(^{19}\) Routine bureaucratic corruption was later brought to light. For example, it was reported that the Mafia within the TOT illegally amassed a telephone quota of more than 100,000 lines, supposed to be distributed to large offices and commercial buildings, for sales to individuals priced at 40,000-100,000 baht each. See *Khoo khaeng*, 26 April 1993.

\(^{20}\) The NEC was selected as the supplier of the cable and its operating system in 1992. Interviews with reporters from *The Nation*, 6 March 1993.

\(^{21}\) The ten projects were International Telephone Switching Centre (ITSC), submarine optical fibre, Mobitex, Email, credit card phone, IMMARSAT, inflight phone, optical fibre project in Bangkok, satellite ground station, and satellite communications equipment. See details in *Krungthep thurakit*, 20 May 1992; *Matichon*, 1 July 1992; and *Phujad karn*, 1 July 1992.
firms. For instance, most of the existing telephone networks in Bangkok was designed and set up by NTT, Mitsui, and NEC while the provincial networks were mainly constructed by Ericsson. Moreover, long-distance telephone systems based on microwave communications were largely developed by Fujitsu and Toshiba (Supapol, 1991). Traditionally, equipment purchases and turnkey projects were contracted directly with these foreign suppliers and operators. It was understood that local agents working for foreign companies played significant roles in lobbying for these contracts. Because a 'repeat order' was often used as the means by which contracts with foreign suppliers were made or old contracts renewed, free competition was not always the norm and open bidding might not necessarily take place. This business arrangement thus contributed to many scandals about bureaucratic corruption involving state enterprises and foreign business.

The predominant role of foreign operators as TOT and CAT partners was severely undermined when limited privatisation began to take place and local telecommunications groups started to prosper. Since the late 1980s, local telecommunications groups have overtaken foreign business as the major associates in many telecommunications scandals. Good connections with the state telecommunications agencies were established by them while serving as local agents for foreign businesses, which later put the local firms in an advantageous position. It may be hard to understand how these newly formed businesses became autonomous from their foreign counterparts when all their supplies and technologies still came from abroad. But although these Thai groups emerged as local agents for foreign firms, they were highly concerned about foreign control of their operations, and these connections were steered away from joint share-holding and control of them. For example, Boonchai Benjarongkul, UCOM President, stressed that "UCOM is not Motorola Thailand; we are

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22 For example, Ericsson was contracted to establish telephone switching centres and cellular mobile telephone systems to the TOT and CAT; AT&T was contracted to install international telephone systems and outside plant equipment to the TOT and CAT; Alcatel was contracted to set up microwave radio systems and telephone switching systems to the TOT and the Ministry of Defence. See Bangkok Post, 9 March 1993 and Phu jad karn, 29 March 1993.
purely Thai. Motorola has no shares in UCOM. We want to be free from foreign control. We do not want to be dictated to by Westerners.\textsuperscript{23} Despite his recognition of the importance of his foreign partnerships, Thaksin Shinnawatra of the Shinnawatra Group made this cautious remark: "If it is a joint venture in which we are the majority shareholder, there will never be a problem. Otherwise, we will lose our leadership and no longer be ourselves."\textsuperscript{24}

Although bureaucratic and political connections were not necessarily translated into bureaucratic corruption, they created a kind of corruption infrastructure from which favouritism, bribery, and other forms of corruption could arise. Moreover, the most successful groups were known to have good bureaucratic and political connections one way or another. Shinnawatra, the most diversified telecommunications group, which built up its business empire mostly from TOT concessions, was often chosen as the winner in bids for contracts because it made better financial offers than others.\textsuperscript{25}

Connections with the TOT, the Army, the Thai Military Bank, and Chart Thai Party (which has controlled the MOTC many times since the late 1980s) were believed to be crucial elements behind the success of Shinnawatra.\textsuperscript{26} His special relationship with TOT bureaucrats could be clearly seen when former TOT Managing Director Paibul Limpaphayom joined Shinnawatra after the collapse of his official career, following allegations by the Anand government that he had been corrupt. In a similar manner, UCOM made use of its bureaucratic connections long established with the CAT and MOTC to assist its business expansion after the deregulation started. These connections enabled UCOM to attract many senior bureaucrats whose experience and contacts were highly valued to work with the group.\textsuperscript{27} Jasmine, a fast growing telecommunications group, also confirmed the importance of bureaucratic connections in the expansion of the

\textsuperscript{23} \textit{Transport and Communication} 4:35 (August 1992).
\textsuperscript{24} Idem.
\textsuperscript{25} Interview with Deputy PTD Director General Setthaporn Cusripituck.
\textsuperscript{26} \textit{Far Eastern Economic Review}, 13 December 1990.
\textsuperscript{27} The leading officials include Sriphumi Sukhanetr, former MOTC Permanent Secretary, Maj.Pol. Suchart Phueksakol, former PTD Director General, Somlak Sajjaphinand, former CAT Deputy Governor, and Suthorn Limpasathien, former CAT Governor. See \textit{Telecom Journal} 1:23 (1-15 August 1993).
group. Besides being a close friend of former TOT Managing Director Paibul Limpaphayom,28 Adisai Photaramik, the President of Jasmine once stated: "I do not deny that I have good relations with the TOT because I used to work there. Good personal relations are important for business success. My advantage also stems from the technical understanding I have about telecommunications. The most important thing is that I know what the chance of success is and which path I should take."29

A typical example of bureaucratic corruption was a scandal over a long-distance telephone project carried out by the TOT in 1976. Although the incident took place long ago, it represents the kind of bureaucratic corruption involving regular procurement of equipment and supplies still found even today. This project, which included the purchase and installation of telephone equipment on a turnkey basis, demonstrated the manipulation of specifications and contracts by top TOT bureaucrats in favour of a Japanese firm. The scandal erupted when NEC, which tendered for the bid at the lowest price of 5.8 billion yen, lost the project to Fujitsu/Toshiba, whose proposal set a higher price at 6.4 billion yen.30 Following a formal protest launched by NEC, a preliminary investigation led by the Counter Corruption Commission (CCC) then found evidence that TOT Managing Director Boonchu Pienpanich and Olarn Pientham, Director of Long-Distance Engineering Division, might have illegally assisted Fujitsu/Toshiba to outbid NEC by marking up the financial proposal of NEC and secretly disclosing important information to Fujitsu/Toshiba.31 As a result, the two senior bureaucrats were temporarily transferred while the TOT board undertook further investigations. Later investigation found that Boonchu did not use the project consultants and even excluded them from participation in the bidding process even though the TOT had spent 20 million baht in hiring them to advise on this bid. Moreover, Olarn lost confidential reports

28 Adisai was a former classmate to Paibul at Chulalongkorn University's Faculty of Engineering. Adisai was also a former TOT employee until his resignation in 1977. See Transport and Communication 3:33 (June 1992).
30 Besides the two bidders, SEL was another candidate participating in the bid. Because its proposal cost at 8.6 billion yen was the most expensive, it quietly accepted the defeat. Sources from the Counter Corruption Commission, September 1977.
31 Ibid.
prepared by the consultants, thereby causing a leak of information to outsiders. More importantly, the two officers agreed to mark up the price of supervision to be given by NEC, resulting in the higher cost of NEC's proposal compared to that offered by Fujitsu/Toshiba. In relation to the investigation of this corruption, MOTC Minister Somphorn Boonyakupt later reported to the cabinet in late 1979 that: "Factional fighting, lack of coordination, and corruption have increased without any control or restriction by TOT executives", and thus he recommended that Boonchu be removed from the TOT for good.

This case showed that SOE bureaucrats and/or its board members as well as foreign business were mainly responsible for bureaucratic corruption, mostly related to purchases of goods and services or bidding contracts. The MOTC Minister, however, was not usually implicated in bureaucratic corruption, particularly during the period prior to the privatisation of the TOT and CAT. Because of their sole authority under the law to make contracts, the TOT and CAT were provided with ample opportunities for bureaucratic corruption. The MOTC Minister could hardly intervene in their consideration of projects, for his power was limited to the transfer of board members and top officials of both organisations, subject to cabinet approval. Although routine bureaucratic corruption was generally not perceived as the type of kan khorrapchan already discussed, this alleged case of corruption involved a large budget of roughly 1,300 million baht, the largest bid the TOT ever undertook at the time. The high stakes involved in this alleged corruption and the striking irregularities in this case provided strong grounds for the CCC, which concentrated on corruption related to government expenditures, to take this case over. Despite the intervention by the CCC and the Minister, however, the extent to which the public or any political force interfered in this case was limited. That state of affairs was to change when the forms of corruption associated with deregulation occurred later, and widespread scandals buoyed by unprecedented media interests directed public attention towards political corruption.

33 Cabinet Resolution. 3 December 1979.
5.3.2 Telecommunications and Political Corruption

Scandals over political corruption were mostly related to the privatisation of TOT and CAT projects which accompanied the revival of the democratic regime of Chatichai. The return to power of the political parties and the government's clear policy of economic liberalisation precipitated extensive awards of telecommunications concessions which blew up into major corruption scandals. Because private participation in the industry was a new development, corruption scandals over the privatisation of the TOT and CAT have been quite recent. Because of the large number of projects involving privatisation and their sheer size, political corruption has seemed to dwarf any known case of bureaucratic corruption. Political parties, local telecommunications businesses, and TOT and CAT bureaucrats were branded as the major accomplices in political corruption.

The political corruption reported under the Chatichai government has seemed to aggravate the political rivalry between the military and jao pho-style political parties in their attempt to gain control of the state telecommunications agencies and the anticipated revenue for their corruption. Later, the technocratic government under Anand moved to check political corruption by regulating the process of privatisation so as to guarantee the countervailing role of the technocrats in the consideration of BTO concessions. As the technocrats succeeded in making headway into telecommunications politics to monitor political corruption, and jao sua businessmen increased their political presence in competition with jao pho politicians, the scandals over political corruption seemed to abate under the Chuan government.

Political Parties/Politicians. The structural corruption stemming from the political parties in Thailand gave rise to political corruption in the telecommunications industry when jao pho type politicians took control of the MOTC from the late Prem period on. All the former MOTC Ministers under the Prem and Chatichai governments were either the Secretary or Leader of their respective parties, i.e., Samak Sundharavej, Banharn Silpa-archa, and Montri Pongpanich were the Prachakorn Thai Party leader,
Secretary to Chart Thai Party, and Social Action Party leader respectively. Because politicians in these prominent positions are normally faction leaders obligated to fund most of the party coffers, they are given ministerial positions in the key economic portfolios – the MOTC, the Ministry of Industry, and the Ministry of Commerce – whenever their parties took control of any of these organisations. Politicians in such positions would be expected to channel a certain amount of fund (on top of the financial needs of each individual minister) to their parties for political campaigns and other activities in an effort to expand the party base in the province.

Structural corruption within the political parties came into the limelight through a big scandal that rocked the Social Action Party (SAP) and the Chatichai government in 1990 when a SAP Minister revealed the structural corruption in his own party. After a censure debate against cabinet ministers in the Chatichai government in that year, Santi Chaiviratana, a SAP executive member and Deputy Minister for the Interior, disclosed that he was forced to resign from a ministerial position because of his failure to meet the financial demands from his party. He said corruption was rampant under the Chatichai coalition, as any minister could propose any project for cabinet approval, including many privatised schemes. Santi revealed that when the party decided to earmark 500 million baht to finance the next election at a 1989 meeting, the party demanded that the MOTC Minister and Commerce Minister provide 250 and 200 million baht respectively, while the rest was to be financed by Deputy Ministers under a party quota system. Moreover, during the 1990 no-confidence debate, a group of 20 SAP MPs demanded financial benefits in compensation for their votes in parliament, with each Deputy Minister obliged to pay 5 million baht then each. Santi claimed that when he was unable to fulfil the party demands for financial contributions, Montri Pongpanich, SAP

34 The Ministry of Finance is an exception. Because this position requires a person who has long experience in financial and monetary management, most Finance Ministers are usually appointed from technocrats. Moreover, each government is concerned about building up business confidence by keeping this position for a person of high calibre.
36 Santi claimed that he was able to contribute only 300,000 baht. Details in *Matichon*, 14 August 1990; and *The Nation* and *Bangkok Post*, 15 August 1990. These sources were cited in Ibid.
Leader and the MOTC Minister, called him in and taught him the techniques of how to make money for the party.37

The above information suggests that the MOTC was one of the main targets from which party funds could be obtained. This explains why the MOTC has been regarded as the most sought-after economic portfolio in the Chatichai government and since. The deregulation of the telecommunications industry, which would free many projects from state control, provided good opportunities for politicians to benefit from commission fees and other returns in exchange for granting licenses to private businesses. It was well known that there were brokers connected to political parties selling many telecommunications licenses to prospective investors. In this connection, the outcomes of many BTO bids were said to be known prior to the conclusion of the bidding results.38

Political interference was the primary means by which political corruption was undertaken in the privatisation of telecommunications. All MOTC Ministers resorted to political interference, using the Prem government’s guidelines on telecommunications reforms, at least in the form of removal of TOT and CAT board members in order to smooth out their decisions. Through acquiescent boards, the MOTC Minister could put his initiatives into practice and guide the course of private participation in such a way as to benefit coalitions of interests. Furthermore, because both the TOT and CAT were large organisations which required extensive coordination within and between themselves, unequivocal control over their respective boards tended to mitigate the problems of project delays, bureaucratic in-fighting and external interference from the military and other interests. More often than not, the MOTC Minister would remove SOE board members when assuming office and would not hesitate to threaten to transfer them if they stepped out of line. Because of their important positions which could determine who would be the beneficiary of a project, the positions of TOT and CAT

38 Interview with a telecommunications expert and senior official of the Ministry of Science, Technology and Environment, April 1993.
board members and the top bureaucrats of both agencies are rumoured to be traded at high price. It was reported that Montri was offered seven million baht in exchange for the appointment of a bureaucrat to the top TOT managerial position. But the offer was declined.39

An example of political interference through the removal of SOE board members alleged to be motivated by the exigencies of political corruption was the dismissal of the entire CAT board by SAP Deputy Leader and Deputy Transport and Communications Minister, Somsak Thepsuthin in early 1993. Because the old board was dominated by respectable technocrats appointed by the Anand government, Somsak's case was a controversial one, seen as political interference with a board of technocrats and made worse by his SAP executive position.40 Moreover, the controversy was fuelled by Somsak's implementation of many BTO projects that had never been mentioned in the previous CAT business plan.41 More importantly, the board transfer was carried out just prior to approval of nine major projects valued at 8 billion baht.42 It was believed that Somsak's appointment of the new board would enable him to gain better control of the CAT's decision on the nine proposed projects.

Although there was no proof that political interference necessarily led to political corruption, that sort of action was seen as a sign of corruption because of the general conviction that the MOTC was plagued with kan khorrapchan. Although the transfer of SOE boards by earlier MOTC Ministers had happened before, it had rarely been done by

40 Six board members removed were Chairman Chavalit Thanachanan, Deputy Director-General of the Auditor-Generals' Office, MOTC Inspector General, academics from KMIT and Chulalongkorn University, IFCT representative, and representative of the Office of the Attorney General. These people were replaced by PTD Director General, Director General of the Meteorological Department, representative of the Town and Planning bureau, representative of the Attorney General, Director General of the Treasury department, and Secretary General of the Broadcasting Control Board. The two other board members who were not replaced were Sethaporn Cusripituck, PTD Deputy Director General, and Aswin Soawaros, CAT Governor General.
41 Interview with Telstra's representative in Bangkok, 21 April 1993.
42 The nine projects were Mobitex, In-Flight Phone, Fax switching, 2 Submarine Cable networks, an international telephone gateway, Post Warehouse, Provincial Post Offices, and Bangkok Post Offices. See *Prachachartthurakit*, 7-10 February 1993.
politicians, since most Ministers were appointed bureaucrats. This new phenomenon, coupled with the suspicion of a linkage between the board transfer and the awarding of telecommunications licences, convinced the public that political interference and political corruption were two sides of the same coin. A study by Chulalongkorn University in 1993 found that the MOTC was regarded as the fourth most corrupt government agency in Thailand. This attitude was further strengthened by the seizure of assets of the ten 'unusually rich' politicians, said to be derived from dubious practices, after the 1991 coup. Included in the list were former MOTC Minister Montri and Prime Minister Chatichai.

Political interference and the way in which political corruption is carried out can be better seen by a glance at changes in the decision-making process in telecommunications, which created the network of relationships between businessmen, politicians, and bureaucrats. These relationships provided the setting in which influence peddling and 'deals' took place. From the start, local business firms had to establish connections with three major sources of power: the TOT and CAT, the MOTC Minister, and key technocrats in the Ministry. Typically, a business group had its own lobbyists or so called 'contact men' based in key state organisations, through which a BTO project could be pushed forward. Under Chatichai, the communication channels were provided through key political and bureaucratic figures, including MOTC Minister Montri, Permanent Secretary Sriphumi, and TOT Managing Director Paibul. Because these were top-level figures in the telecommunications policy process, business proposals passed

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43 From a study by Sungsidh (1993a: 24), the following government agencies were perceived as most corrupt: Police Department 33.7 %; Ministry of Defence 27 %; Ministry of interior 26 %; MOTC 22.5 %; Land Department 10.1 %; Ministry of Commerce 7.6 %; Ministry of Agriculture and Cooperatives 7 %; Customs Department 4.6 %; Forestry Department 5.1 %; and Ministry of Industry 3.8 %.

44 The ten politicians were: PM Chatichai Choonhavan; Pitak Indharavithayanant, Chatichai's Secretary; Prawual Saphavasu, former Finance and Industry Minister; Praman Adireksan, former Minister of Interior; Sanoh Tienthong, former Deputy Minister of Interior; Sribuangkoon, former Commerce Minister; Chalermsit Yoonamrung, former Minister attached to Prime Minister's Office; Pinya Chuayplod, former Deputy Commerce Minister; Watthanaphat, former Deputy Minister of Interior; and MOTC Minister Montri Pongpanich. Montri's unexplained assets amounted to 336.5 million baht while Chatichai and Pitak's assets were valued at 284.27 and 335.88 million baht respectively. See details in Matichon sud sapdah, 2 April 1993.

45 The following description is constructed from accounts informed during interviews with senior MOTC bureaucrats, businessmen, and reporters.
through those channels were usually assured of smooth support right to the end of the line of command. Sometimes political contacts with the Minister were derived from the hua khanaen system and other business networks linked to political parties. If a proposal was submitted to the Minister, he would normally consult the Permanent Secretary, who was familiar with the legal and technical aspects of the project and may also sit on the TOT or CAT board. The Permanent Secretary could be very influential if the Minister lacked experience in the communications area, when the former could put forward his own ideas or pass on business proposals to the Minister. In order to include their proposals into the privatisation program, businesses which lacked high-level political contacts could still use the TOT and CAT channels. After proposals were submitted through these channels, initial approval from the Minister was required before they were made into official plans of the TOT or CAT.

Although all government projects usually required approval from the NESDB and the Budget Bureau, Minister Montri did not send any of these plans to the two organisations, using the argument that they were to be invested by private funds, not government funding. Under Chatichai, the TOT and CAT boards would appoint a committee with a green light from Montri to draft the terms of references (TOR) for project specifications; then bids would be called to implement the plans. When the selection committee had made its choice, the final approval from Montri was again needed before a concession was awarded to a private business. This procedure was contrary to the normal practice of seeking cabinet authorisation prior to the signing of a contract. Figure 5.1 summarises this decision-making process.

The political arrangements under which the MOTC Minister was given a free hand to carry out privatisation from start to finish provided ample opportunities for political interference and corruption. Since Permanent Secretary Sriphumi and TOT Managing Director Paibul were known to have close relationships with Montri and both

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46 Sriphumi Sukhanetr had served as TOT and CAT board Chairman while Permanent Secretary during 1990-91.
were appointed to the TOT board by Montri (Sriphum chaired both the TOT and CAT boards), the contacts made by business firms through the Minister, MOTC technocrats or TOT bureaucrats would not make a big difference because they were all reported to Montri. This ultimate control, free from any countervailing authority, led to controversies and scandals about political corruption within the MOTC throughout the life of the Chatichai government. Of all the BTO projects carried out under Montri, only a telephone expansion project was submitted to the cabinet in the hope for securing political legitimacy amidst widespread rumours of corruption. Although Montri merely made a brief presentation seeking an acknowledgment from the cabinet rather than its
approval, the Chatichai cabinet ended up discussing the project at length and Montri was finally required to provide a full account of the project, with the cabinet decision being postponed (this case will be discussed in Chapter Six).

Soon after the 1991 coup, the Anand government and its cabinet members moved to bring political corruption under control by regulating the telecommunications decision-making process, thereby forcing the Minister to share power with the technocrats. While Anand and many of his cabinet members were former technocrats, they were also embraced by business circles and many of them, including Anand, also had served as executives of large corporations. Therefore, the attempt to control political corruption was fundamentally initiated both by technocratic elements aiming to combat political corruption and by jao sua business elements aiming to check the growing political and business influence of jao pho politicians. Through the promulgation of the 'Act for Private Participation or Operation of State Properties' in 1992, the value of a privatised project a state enterprise could pursue independently was capped at no more than 1 billion baht. Otherwise the agency must conform to standard procedures outlining project implementation, supervision and evaluation. This law requires all BTO projects valued at more than 1 billion baht to be submitted to the NESDB for its endorsement, after being approved by the Minister. In the event that the NESDB withheld its support, the project proposal would be returned to the MOTC for review. Only after the NESDB had agreed with the project would it be tabled for final cabinet approval. Figure 5.2 illustrates this revised decision-making process.

Apart from adding the NESDB and the cabinet into the decision-making process, this new law was drafted in such a way as to shift the Minister's power to select business winners to a committee mainly comprised of technocrats from various government agencies. Once the cabinet had approved the project and the Terms of Reference (TOR) been prepared by the state agency, a committee comprising representatives from the MOTC, the Ministry of Finance, the Budget Bureau, the NESDB, the Office of the Juridical Council, the Office of the Attorney general, two other Ministries, the state
agency concerned, and three outside experts would then be set up. The committee would consider the TOR and the draft contract, then appoint other working groups responsible for the selection of private concessionaires to be reported to the MOTC Minister. 47 Finally, the MOTC Minister was required to submit the result of the selection to the cabinet within 90 days for final consideration.

It should be noted that this standardised procedure, which would substantially reduce the power of the Minister in determining the outcome of privatised projects, was introduced as only a temporary measure to tackle political corruption while the longer-term aim of telecommunications liberalisation was also being carried out by the Anand government. However, because of the failure of the attempt to amend the telecommunications laws in order to liberalise the industry and set up a central regulatory body (discussed in Chapter Four), the 'Act for Private Participation' remained as the only law guiding the privatisation of state enterprises. As a consequence, the Chuan government was legally bound by this new law to work within a system in which politicians had to live with the checks and balances leaving considerable power to the technocrats.

Politicians reacted to this new law forcing them to share power with the technocrats in two different ways, determined mainly by the predispositions of their parties. While the urban-based Palang Dharma Party to some degree accepted the role of the technocrats in both SOE boards and other bodies in order to maintain its clean image and attract middle class voters, the jao pho-style parties such as SAP resorted to political interference in projects exempted from the new standard procedures. MOTC Minister Vinai of Palang Dharma Party relied heavily on key technocrats in the ministry such as Permanent Secretary Mahidol Jantarangkul and his personal aides, particularly Sarit Santimethaneedol and Thamrong Saengsuriyachan, in dealing with telecommunications issues. Because of his concern for public opinion, Vinai refrained

47 If the project is worth more than 5 billion baht, a private consultant must be hired to help drafting the TOR and make recommendation on the selection.
from assigning MOTC technocrats to engage directly in large-scale privatisation projects in the way Montri had previously authorised Sripum to do. Most decisions were instead made by committees or working groups comprising his advisors, telecommunications experts, and high-level bureaucrats both from the MOTC and state enterprises concerned. Conversely, SAP's unwillingness to come to terms with the technocrats could be seen from its reduced emphasis on large-scale projects which were subject to the new privatisation law. By focusing on smaller projects with price tags of no more than one billion baht, Deputy MOTC Minister Somsak Thepsuthin could avoid being subjected to scrutiny by the NESDB, the cabinet, and a selection committee comprising a large group of technocrats. Therefore, the replacement of the CAT board by SAP's trusted bureaucrats, as discussed earlier, was vital to Somsak's policy of creating many of these small projects. A telecom tower, an inflight phone system, and mobile data project were some of the projects initiated to fit this bill.48

Since political corruption is perceived as kan khorrapchan that is unacceptable to the public in general and the bureaucrats in particular, and political corruption is largely the direct outcome of the structural corruption that is inherent in most political parties linked to the hua khanaen system, future trends in political corruption in Thailand are likely to depend on the development of political parties there. The shift by Palang Dharma towards a stand closer to that of a jao sua party can be demonstrated by the direct political participation in it of leading businessmen like Thaksin and Vichit (discussed in Chapter Four), which seems to reinforce Pasuk and Baker's argument anticipating an increase in political and economic competition between jao pho and jao sua business-politicians. It remains to be seen whether the outcome of participation in politics by jao sua businessmen will be to push through economic liberalisation and thereby check political corruption by jao pho politicians or simply give them also some share in the corruption revenues generated by the privatisation programs. Ongoing political and economic reforms may, however, make it more difficult to delineate jao pho

48 Prachachart thurakit, 12 September 1993.
and *jao sua* businessmen. The recent introduction of a money-laundering law by the Chuan government may turn *jao pho* businessmen into *jao sua* business-politicians, or at least force them to venture into more 'legitimate businesses', thus blurring the distinction. This development needs to be observed further if this question is to be resolved.

**Conclusion**

As it turned out, telecommunications privatisation carried out in Thailand was not a remedy to the problem of rent-seeking and corruption existed in the highly-regulated industry. Whereas the goals of the deregulation, i.e., increasing economic efficiency and improvement of the operating enterprises and their services, were basically achieved in the telecommunications industry, there was a parallel development of an increasing course of political corruption, associated with the expanding industry. On the one hand, the liberalising trend of the telecommunications industry, operated within the political system bound by party-based structural corruption, gave rise to political corruption. On the other hand, political corruption that provided political access to business played an important role in the initiation and implementation of telecommunications reforms. In short, economic deregulation in Thailand seems to correlate with political corruption and the rise of political parties.

The history of telecommunications development in Thailand seemed to confirm rather than reject Leff that corruption (specifically political corruption) was able to compensate for the lack of institutionalised state-business relations in securing political support for private participation in the industry. Despite unstable political regimes and frequent changes of government, corruption did ensure a certain degree of business influence and consistency in the deregulation policy. Thus, telecommunications reforms were speeded up during the late Prem and Chatichai period. As the old-style bureaucratic corruption explained by Scott moved into the background, political corruption systematically linked to political parties, along the line of Macdougall's thesis, expanded. It appeared that political modernisation and economic liberalisation did not necessarily lead to the decline in corruption in Thailand as Huntington argued.
This chapter shows that the increasing incidence of political corruption since the late 1980s was a result of intensifying economic liberalisation coupled with the rising political control of political parties and their jao pho businessmen-cum-politicians. Although bureaucratic corruption has never disappeared, it came to be overshadowed by political corruption that expanded rapidly in connection with fast progress in telecommunications privatisation and liberalisation. The conspicuous rise in political corruption underlined the fundamental change in Thailand’s political economy from a bureaucracy-dominated society to one in which political parties and their jao pho associates have come to prevail. The recent efforts to control political corruption by the technocrats and the direct political participation by jao sua businessmen may perhaps be seen in the future as a milestone for another shift in Thai politics towards a new set of political arrangements gradually taking shape.

An appreciation of local conceptions of corruption is essential to an understanding of why certain kinds of corruption have been more prominent than others at various times and why some corruption cases were turned into major political scandals. Under the influence of past cultural practices because of their familiarity with the patronage system, the Thai people have tended to disregard routine bureaucratic corruption, even though the codes of conduct of the modern bureaucracy have rejected it. Because they have divided corruption into many levels, they have tended to view the Western concept of corruption, translated into Thai as kan khorrapchan, quite narrowly as essentially political corruption involving politicians and business firms, rather than the forms of bureaucratic corruption committed mainly by officials. Hence corruption scandals, determined at least partly by local conceptions and influenced in part by more accessible information, have seemed to become more frequent during the periods of democratic governments.
The local emphasis on political corruption and its widening scandals associated with the rising power of political parties requires an institutional study of the role of political parties in order to understand their inclination towards structural corruption. Political parties in Thailand are marked by two basic problems which generate the cycle of structural corruption: factionalism and rudimentary party and programs. Because they are mostly still new and have limited political bases, political parties in Thailand have turned towards vote buying and unscrupulous methods of attracting political factions in order to increase the chance of electoral success. As many factions are drawn into a single party, competition among different factions to increase the number of MPs under their wings through financial contribution to these members intensifies. Moreover, since every faction is bound to finance both party campaigns and its own hua khanaen system, political corruption is as much a necessity as a preference. Among the major sources of corruption revenues, telecommunications reforms have proved to be a prime target for both the politicians and local telecommunications business firms.

Because the increase in political corruption was made possible by the removal of the military from the state telecommunications agencies and by cutting back the flow of public funds into channels of bureaucratic corruption, the competition between the military and political parties was exacerbated both in terms of financial gains and losses and the future political balance. While bureaucratic corruption had involved the military, SOE boards and their officers, with business collaborating in the purchase of equipment and supplies, political corruption was centred mainly around politicians, their most trusted bureaucrats, and the business firms carrying out BTO projects. In order to facilitate the privatised projects, the old power cliques like the military were often removed from the TOT and CAT boards and replaced by bureaucrats loyal to the Minister. Conversely, whenever the military regained its political power, these two boards were taken back into the military's orbit.
The political and economic ascendancy of jao pho politicians not only gave rise to conflicts and competition with the military for access to corruption revenues and political dominance; the expansion of their economic interests was also aided by political patronage and corruption, which prompted the technocrats and jao sua business to intervene in the furtherance of economic reforms and resistance to any military takeover. Under Anand, Bangkok-based business gave its blessing to the government's re-regulation of the privatisation process whereby the selection of winners was made more transparent and the technocrats were assured of their countervailing role. This urban-based business later raised its political profile under Chuan by joining those political parties viewed as 'clean parties' whose constituencies were based mainly in Bangkok and other urban areas. Extensive media coverage of political corruption since the Chatichai government, coupled with increasing public scrutiny of the government permitted by the more democratic political system both under Chatichai and Chuan, forced the urban-based parties to keep political corruption under control and agree to the countervailing role of the technocrats in the implementation of privatisation programs. In this way, it appears that Thailand's political landscape is being redrawn.
Chapter 6
Telecommunications Concessions: Politics and Politicking

If anyone wants to see the politics of telecommunications liberalisation and the corruption associated with it in a nutshell, the various cases of telecommunications projects contracted to the private sector described in this chapter serve that purpose. Since telecommunications reforms in Thailand were carried out through private participation in the industry, the story of any government concession can provide an account of telecommunications politics at a particular point of time. When the many cases of privatisation programs are compared, the patterns of telecommunications politics under different political regimes can be constructed to help us understand the telecommunications reforms better. By looking at these telecommunications concessions, two major questions fundamental to telecommunications politics can be answered. First, who were involved in particular projects and what were their interests? Second, how did the projects implemented under different political regimes reflect the fluctuating influences of those key actors or institutions?

This chapter examines seven telecommunications projects awarded to the private sector (with two exceptions involving government agencies) under BTO schemes. I classify the seven projects into three major groups determined by the relative role of the bureaucracy as against the political parties in carrying out the projects. The first is the case of a bureaucracy-dominated telephone directory project carried out under the Prem regime. Marred by a corruption scandal, this project resembled the older pattern of bureaucratic corruption discussed in Chapter Five, in which the military and the TOT board were implicated in the scandal. The second group combines five BTO projects carried out under Prem, Chatichai and Chuan. Political parties, the technocrats, and local business played active roles, to varying degrees, in the privatisation and liberalisation of these projects, which included paging services, mobile phone services, data communications services, a data processing zone (DPZ) project, and an
international telephone gateway project.\(^1\) The paging and mobile phone services typified the politics of telecommunications privatisation in which politicians exerted their political influence and interfered in order to facilitate private investments. The data communications project was faced with scandals reminiscent of the cases of political corruption discussed in the previous chapter. The DPZ project, initiated by Chatichai’s advisers, provided an example of how the idea of suwannaphumi could influence telecommunications politics. The international gateway project revealed a growing conflict between jao pho and urban-based parties over the issue of political corruption. The last group of cases deals with the three-million-line telephone project, which combined the issues of telecommunications privatisation and corruption, the major concerns of both the first and second group of case studies. Spanning the period of office of four governments, this project mirrored the politics of telecommunications under both democratic and authoritarian regimes. Significantly, all major political actors, including the military, political parties, business and the technocrats, were actively involved in this controversial project.

While the first group of cases demonstrated the predominant role of the military in telecommunications politics during the early Prem period (and before), the second group showed the rising power of politicians and the emerging pro-reform coalitions consisting of political parties, the technocrats, and local business in the pursuit of telecommunications deregulation, the suwannaphumi idea, as well as the prevalence of political corruption (in some cases) under Chatichai and Chuan. The third group illustrates the influential position of political parties and business under Chatichai and their involvement in political corruption, the conflicts and competition between political

\(^1\) Data communications include various value-added services transmitted over the telephone network such as electronic mail, network management, bulletin board systems, public data bases, facsimile, and financial information services. These services are provided by interconnecting computer systems with appropriate software to the appropriate telecommunications infrastructure. Due to the advancements in digital technology, some networks can serve both voice and data transmission. DPZ is a planned infrastructure project aimed to promote telecommunications-based industries, covering the areas of data processing, data communications services, software technologies and hardware industries. An international gateway is an exchange centre for international communications normally controlled and operated by the CAT.
parties and the bureaucracy that exploded in the 1991 coup, and the competition between the pro-reform technocrats and the military under Anand. In sum, the politics of telecommunications in Thailand since the late Prem period has been marked by the increasing power of political parties and business at the expense of the military. Despite the military's attempt to redress the changing balance, its power could not be sustained, as non-bureaucratic interests proved too strong to be dismantled, while the technocrats also strove to limit military influence. When parliamentary politics was restored, political parties, business, and the technocrats were able to return to centre stage in telecommunications politics.

6.1 Telecommunications Concessions and Bureaucratic-dominated Politics

6.1.1 The Telephone Directory Project

The telephone directory project is a typical case of military intervention in the telecommunications industry made possible by its control of the TOT board. The decision to grant AT&T a monopoly right to publish telephone and business directories in 1985 is a good example of the kind of controversy related to bureaucratic corruption involving the TOT board, the military, and foreign business. Because of legal ambiguities over the government's authority to monopolise this business and the military's bold intervention in support of AT&T, the military was seen as the root cause of the case of TOT bureaucratic corruption.

The problem with this project started with the TOT's action in calling for bids in a piece of business that was not within the jurisdiction of its organisation. In fact, when the telephone directory bid was called in 1984, the TOT was not authorised to exercise a monopoly right to publish telephone directories in the first place; nor was it entitled to transfer its monopoly power to anyone.\(^2\) However, because of the TOT's extensive

\(^2\) According to the Telegraph and Telephone Act 1934, non-infrastructure telephone and telecommunications projects are not monopolised by the state; the TOT is permitted to engage in joint ventures with business in commercial activities.
collection of information about its subscribers, no public or private enterprise could produce a complete directory without its cooperation or supply of information. For this reason, the General Telephone Directory Company (GTDC) had entered into contracts with the TOT since 1968 to publish telephone and business directories free of charge, on condition that the agency supply the necessary information to the company. In exchange, the TOT received an appropriate amount of the revenues generated from GTDC's business advertising.³ The GTDC contract with the TOT, credited with the introduction of the business directory (the so-called 'yellow pages') to Thailand, had been renewed a number of times prior to 1985. As the contract was due to expire in 1985, the TOT decided to call new bids for the telephone directory in order to create more competition that would bring in higher revenues. Consequently, a five-member selection committee was appointed by the board to consider the financial proposals of four tenderers and pick the winner.⁴ The committee unanimously rejected the AT&T bid because of its violation of two important conditions of the terms of reference, and instead chose Siam Telephone Directory and GTDC as its preferred contractors.⁵

A political showdown took place when the military intervened in this project after AT&T submitted a petition to Gen. Arthit Kamlang-ek, the Army Commander and TOT Chairman, to reconsider the case. Soon after receiving the request, Gen. Arthit ordered the selection committee to review its decision, hinting also that the previous judgement was not the best option. It was widely believed that Gen Arthit's action was influenced by his close relationship with Sawang Laothathai, President of Srikrung Watthana, a large Thai agri-business group acting as a local agent for AT&T telephone equipment.⁶ Despite strong pressure from the board, the committee reaffirmed its

⁴ The four tenderers were ATTI Media, AT&T International, Siam Telephone Directory, and GTDC.
⁵ The first condition required that the tenderer be a legal entity whose office was based in Thailand; the second condition that the tenderer must possess a permit from the Ministry of Commerce to engage in publishing and advertising business. Three committee members chose Siam Telephone Directory because of its generous revenue offer while the other two preferred GTDC because of its long-time experience (Prachachart thurakit, 22 April 1987).
⁶ Ibid.
decision and pointed out that AT&T was obviously disqualified from the bidding. In a controversial move, the TOT board, under the guidance of the military defiantly overruled the committee, and called for new bids, dropping the old conditions which had barred AT&T’s participation. This move was an open interference by the military-controlled board to help Srikrung's ally to win the bid without respecting the legitimate decision made by the selection committee. In opposing such a move, GTDC submitted a letter of protest to Prime Minister Prem and Gen. Arthit, but to no avail. Because of the obvious military interference, only AT&T and GTDC were in contention for the project after a new bid was called. As expected, AT&T was chosen as the winner with a proposed 1,275 million baht of revenue promised to the state during the 1986-90 concession.

The military's and TOT's bias in favour of AT&T did not end with the company chosen as the directory publisher, for many other astonishing deals between AT&T and the TOT were also made, which greatly benefited the company, as opposed to the interests of the TOT. For instance, the TOT agreed to forego its right to the proposed revenue in the event that AT&T's monopoly of the business directory might be violated. It was amazing that the TOT signed such a contract when it lacked any such monopoly rights at the time. As a consequence, when GTDC continued publishing telephone and business directories, claiming that nobody had a monopoly right to such business, AT&T forced the TOT to file a lawsuit against its competitor and to revise its contract, in which a new company jointly set up by AT&T and Srikrung Watthana would take over the directory concession. The amended contract was so flawed that the Director General of the Prosecution Department commented that it would significantly reduce the benefits to which the TOT was entitled while eliminating obligations to which the

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7 Prachachart thurakii, 3 October 1984.
8 The new TOR stipulated that the tenderer be given 30-day period to meet the former two conditions if it was selected as the winner.
new company was committed. Moreover, the Prosecution Department contended that this new contract did not conform to the standard practices of other state agencies.9

Not only was the amended contract quickly approved by the TOT board despite widespread allegations of corruption and strong opposition from various parties, but the TOT also proposed a new law reserving to itself the monopoly right to publish the telephone and business directories. This law would have automatically legitimised AT&T’s monopoly of the directory publication. The end of GTDC’s life came in late 1987 when the law went through parliament.

6.2 Telecommunications Concessions and Party-based Politics

The second group of cases combines five cases of telecommunications projects, three of which (the paging services, mobile phone services, and data communications) were awarded to the private sector under BTO schemes while the other two (the DPZ and the international telephone gateway) did not get off the ground. Although the outcome of these cases was not identical, all of these projects grew similarly out of initiatives or support from politicians, business and NESDB or MOTC technocrats. Although some of the cases involved political corruption, all of them tell the same story about the increasing influence of political parties and their pro-active privatisation and liberalisation policies.

6.2.1 The Paging Service

A paging service, the first telecommunications project granted to the private sector under a BTO scheme, reveals conflicts and confrontation between a state telecommunications agency, the CAT, and a coalition of technocrats, political parties, and business on the issue of privatisation. Later on, the privatisation of both the CAT

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9 Official letter from Sujin Timsuw, Director General, Prosecution Department, to TOT Managing Director, dated 22 September 1986.
and TOT, coupled with their competition, contributed significantly to the increasing liberalisation of this business.

The first serious conflict in telecommunications deregulation occurred when the CAT's traditional monopoly of telecommunications operation was challenged by private business, supported by politicians and NESDB technocrats. In the past, the CAT had regarded itself as the legitimate provider of wireless communication services because of its long-time experience in these areas which were neglected by the TOT; the CAT had been providing paging services since 1978. By early 1984, the CAT was servicing 5,774 pagers and there were 1,000 further requests on the waiting list. Because of such strong demand, local business began to realise the business potential of telecommunications and desired to penetrate the market. Since 1983, private companies had proposed plans to provide paging services to business customers. Concerned that its monopoly would be lifted, the CAT sent a letter to the Ministry arguing that this was a profit-making business and that it was capable of meeting the public demand by itself. Since all state-funded projects required approval by the NESDB and the Bureau of Budget, the CAT's self-funded plan to expand the paging service was rejected on the ground that the cost of investment was too high and that the project did not follow the government policy of promoting private participation in telecommunications development.¹⁰ As this position was strongly supported by MOTC technocrats and the Minister,¹¹ a reformers' coalition consisting of politicians, business and technocrats gradually emerged to pressure the CAT to permit private participation in this project.

This setback to the maintenance of the CAT's monopoly and the parade of business proposals eventually forced the agency to look into the possibility of allowing private participation. Since no security threat from private operation could be shown, despite its consultations with the Juridical Council and the National Security Council,

¹¹ Samak Sundharavej was the MOTC Minister at the time. His policy of promoting privatisation was then facing opposition from labour.
the CAT finally came into line with the Ministry's privatisation policy. Still, the CAT attempted to foil the privatisation scheme by setting such tough conditions for the terms of reference that no private firms took part in the bidding. Nevertheless, the political intervention from Minister Samak Sundharavej successfully forced the CAT to relax its conditions and modify the terms of reference. As a result, the first telecommunications privatisation under a BTO scheme took place in which Pacific Telesis Engineering was selected the winner in 1986 (Table 6.1).

Table 6.1: Paging Concessions

<table>
<thead>
<tr>
<th>Operator</th>
<th>Service</th>
<th>Concession Time</th>
<th>Regulator</th>
<th>Year Start</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pacific Telesis</td>
<td>Paclink</td>
<td>10 years</td>
<td>CAT</td>
<td>1986</td>
</tr>
<tr>
<td>Shinnawatra Paging</td>
<td>Phonelink</td>
<td>15 years</td>
<td>TOT</td>
<td>1990</td>
</tr>
<tr>
<td>Hutchison Telecom</td>
<td>Pagephone</td>
<td>15 years</td>
<td>TOT</td>
<td>1990</td>
</tr>
<tr>
<td>Matrix Telecom</td>
<td>Easycall</td>
<td>15 years</td>
<td>CAT</td>
<td>1992</td>
</tr>
<tr>
<td>To be confirmed</td>
<td>n.a.</td>
<td>n.a.</td>
<td>TOT</td>
<td>1994</td>
</tr>
</tbody>
</table>

In spite of the CAT’s earlier opposition to the privatisation of the paging service, the profits generated from the private concession had a demonstrable effect upon the wider privatisation of the telecommunications industry. Encouraged by the CAT’s profitable concession, the TOT sought permission from the Ministry to provide a similar service, claiming that it was a kind of personal telephone system. As a result, competition between the CAT and TOT erupted, leading to political lobbying to edge each other out of business. The CAT initially responded by blocking the TOT's move, arguing that to grant permission would cause duplication and badly affect the first operator, who required protection during the initial period. The intense lobbying by the

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12 Interview with former CAT Deputy Governor Somlak Sajjaphinand. It should be noted that Thaksin Shinnawatra's role in the success of Pacific Telesis was indispensable, since Thaksin was the one who made all the preparations for the bid. Due to a conflict of business interests, and the likelihood of Pacific Telesis's dominance, Thaksin pulled out of the venture shortly after the project started and turned to the TOT for other BTO projects. See Sorakol Adulyanond, *Thaksin Shinnawatra: aswin kluen luke thee sam* (The Knight of the Third Wave) (Bangkok: Matichon Publishing, 1993).
CAT and its logical arguments successfully led to the postponement of the TOT's proposal.\textsuperscript{13}

Political changes, however, boded well for the TOT in 1989 when the new MOTC Minister, Montri, whose policy was to promote private participation and competition in telecommunications services, took office and allowed the TOT to compete with the CAT. As a result, two paging concessions were granted to the private sector with more favourable contract terms than the CAT's.\textsuperscript{14} Therefore, the two new operators within the TOT camp were able to move well ahead of their predecessor in a relatively short time. In response, the CAT granted another paging licence to the private sector to be on par with the TOT's two concessions. The competition between private operators within the two camps, however, was not based on a level playing-field because of differences in their contracts and the CAT's dependence on the TOT's domestic telephone numbering. For example, while operators of TOT concessions could be reached by three-digit dialling numbers, their competitors operating under CAT concessions were allocated seven-digit numbers by the TOT. In effect, competition between the two state agencies had spilled over into business competition among private operators. This problem was ignored until 1994 when MOTC Ministers Vinai Sompong forced the TOT to treat the CAT fairly, and thus four-digit telephone numbers were allocated to the CAT's paging services.

\textit{6.2.2 Mobile Telephone Concessions}

Mobile telephone projects provided a good example of conflicts and competition among the many interests represented in telecommunications politics. At one level, the new-style politics created by the TOT-CAT bureaucratic conflict suggests that the nature of the two state agencies is such that each is trying to establish a prior claim over new areas of technological development. At another level, such competition was originally

\textsuperscript{13} Interview with Mr. Sawas Jaiyen, a senior TOT official.

\textsuperscript{14} For instance, Shinnawatra and Hutchison were allowed nation-wide operation, and also their dialling numbers were three-digit compared to the seven-digit numbers of their competitors within the CAT camp.
initiated by politicians, with NESDB support, to force the two agencies to become more efficient and allow private participation. If politicians had not intervened to play off one agency against the other, the two organisations would not have brought in private operators to improve their competitiveness. The competition between operators of the two different state regulators contributed to the reduction of prices in services and equipment.

A. TOT-CAT Bureaucratic Politics

Outdated Thai telecommunications laws combined with rapid advancement in cellular technologies caused an overlap in TOT-CAT responsibilities, leading to duplication of their services and eventual competition between them. Although both the TOT and CAT started to operate mobile telephones in the 1970s, their operations were rather limited and competition between the two agencies did not take place until personal services were provided in 1987. 15 In the past the TOT was not much interested in radio telephones because of their limited capacities, but the new cellular technology was able to redress the old problems of network expansion. The potential of cellular mobile telephones to relieve shortages of fixed telephone lines, coupled with MOTC Minister Samak's idea since 1983 of encouraging private ownership of mobile telephones, 16 led the TOT to plan mobile telephones on a commercial basis. Because of its long-time relationship with Ericsson, a world expert in cellular technologies, the TOT decided to adopt the Nordic Mobile Telephone (NMT) system with 470 MHz frequency, with approval from the government coming in 1985 and the first service commencing in 1986. 17 Likewise, the CAT kicked off its own operation after receiving Samak's approval in the same year. Due to its long experience in wireless communication, the CAT was able to catch up quickly with the TOT. While the TOT chose Ericsson as its

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15 In fact, before mobile telephones were operated in 1977, the CAT was the first agency to use radio telephone in its postal offices in remote areas. Meanwhile, the TOT started its operation of cellular mobile telephones in 1979. At the time, the idea of personal ownership of mobile telephones was unheard of and the telephones were geared towards office use only.

16 Interview with Mr. Somlak Sajjaphinand and TOT Deputy Managing Director Mr. Direk Jaroenphol.

17 The TOT operated mobile telephones itself because BTO schemes were not yet invented at that time.
supplier, the CAT selected Motorola's AMPS 800 MHz system owing to its strong ties with UCOM, the local agent for Motorola's telecommunications equipment.

Competition between the two agencies since 1987 precipitated a series of problems in relation to the TOT's actions which sparked a hostile relationship between the two state agencies. Since the TOT was the only domestic telephone operator, the CAT's cellular system had to depend on its rival's telephone networks and connections. Furthermore, an access fee was charged for the use of those networks, leading to higher costs for the CAT's operation. A more serious problem was the insufficient number of telephone circuits provided by the TOT for the CAT's cellular telephones. As a result, the CAT occasionally had to order all traders of its telephone system to halt sales of their equipment pending the allocation of more telephone circuits by the TOT.\footnote{Phu jad karn, 18 December 1988.} Worse still, opposition from TOT labour unions often caused further delays over the supply of these circuits.\footnote{Media 7:75 (September 1990).} Because of the military's predominant role on the TOT board, the Minister did not intervene to force the TOT to cooperate with the CAT on technical issues.\footnote{When the TOT launched its mobile telephone services in July 1987, Gen. Arthit Kamlang-ek was then the Army Commander and TOT Chairman, before he was replaced by Gen. Pak Meenakanit and Gen. Jarauy Wongsayan respectively.} Although the CAT's cellular telephones faced many difficulties, they proved to be a success because of their light weight and suitability for city use, so both TOT and CAT services underwent major expansion during the period 1988-91.\footnote{During that time, the TOT invested 668 million baht to supply 16,667 more mobile telephones while the CAT spent 500 million baht to supply 26,640 telephones. The expansion plans of both organisations were approved by the cabinet following the NESDB's endorsement, due to severe shortages of both fixed and wireless telephones.}

B. The Pro-reform Coalition and Private Competition

A turning point in the TOT-CAT competition came in December 1987 when the pro-reform coalition, headed by the NESDB, won cabinet support to direct the MOTC to explore the possibility of private participation in cellular mobile telephones and other value-added services. Moreover, the cabinet agreed to maintain the policy of encouraging competition between the two state agencies because it had led to an
improvement in their services. Since all state-funded projects were required to undergo scrutiny by the NESDB before being proposed to the cabinet, and the NESDB stated clearly that future expansion of mobile telephones beyond 1990 could no longer be wholly funded by the state, the TOT and CAT were not given much choice but to allow private participation. Also, the previous success of the first BTO concession in a paging service had convinced the two state operators that similar arrangements for a larger project might be feasible and profitable. These factors, combined with pressure from Minister Samak and later Montri, effectively made privatisation possible in 1990. In addition, the existing competition between the two organisations served as a catalyst for allowing private operation in the efforts of both organisations to gain a bigger market share for their mobile telephone services.

The privatisation of mobile telephone services virtually jump-started the successful expansion of Shinnawatra and UCOM, two major local telecommunications firms, as profits made from this business were crucial to the capital accumulation of their business empires. While the TOT granted a BTO concession to Shinnawatra in October 1990 to service an NMT 900 MHz cellular telephone system (while it still maintained its own self-operated NMT 470 MHz system), the CAT awarded a similar concession to Total Access Communication (TAC), a subsidiary of UCOM, to run in September 1991 the AMPS 800 MHz (system B) service. Although competition between the two companies was not free and fair because the two concessions set different rules affecting both operators and consumers, as in the case of paging services, the profits generated from both mobile telephone services were still so large that both Shinnawatra and UCOM have been able to use the income derived from this business to expand into

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23 Meanwhile, the CAT maintained its operation of AMPS MHz 800 (system A) services. Interview with a CAT senior official, 24 February 1993.
24 First of all, Shinnawatra got a 20-year concession from the TOT while TAC got only 15-year concession from the CAT. Moreover, TAC was charged a higher fee than Shinnawatra's since it was obliged to pay connection fees for the use of TOT networks. As a result, TAC's customers had to pay for incoming telephone calls while Shinnawatra's users did not bear such a burden. Finally, delays always happened in the TOT's allocation of telephone circuits to TAC. Therefore, complaints regarding the unequal treatment of the two concessionaires flared up from the beginning.
other areas of telecommunications. Not only have mobile telephones served as a cash-cow business for private concessionaires, the projects have also provided the TOT and CAT with sizeable incomes since the late 1980s.\textsuperscript{25} Table 6.2 shows that the operating revenue for mobile telephones has jumped from 41 million baht in 1987 to 1,185 million in 1990 and was expected to reach 12,292 million in 1994.

Table 6.2: The Market Value of Mobile Telephone

<table>
<thead>
<tr>
<th>Year</th>
<th>Market Value of Phone Sets</th>
<th>Insurance Fee A</th>
<th>Connection Fee B</th>
<th>Annual Fee C</th>
<th>Operating Revenues D</th>
<th>Total State Revenues A+B+C+D</th>
</tr>
</thead>
<tbody>
<tr>
<td>1987</td>
<td>439</td>
<td>16</td>
<td>5</td>
<td>33</td>
<td>41</td>
<td>96</td>
</tr>
<tr>
<td>1988</td>
<td>603</td>
<td>22</td>
<td>8</td>
<td>45</td>
<td>96</td>
<td>171</td>
</tr>
<tr>
<td>1989</td>
<td>1,736</td>
<td>21</td>
<td>22</td>
<td>130</td>
<td>456</td>
<td>669</td>
</tr>
<tr>
<td>1990</td>
<td>3,386</td>
<td>42</td>
<td>42</td>
<td>254</td>
<td>1,185</td>
<td>1,609</td>
</tr>
<tr>
<td>1991</td>
<td>5,200</td>
<td>80</td>
<td>80</td>
<td>480</td>
<td>2,690</td>
<td>3,490</td>
</tr>
<tr>
<td>1992*</td>
<td>7,280</td>
<td>112</td>
<td>112</td>
<td>672</td>
<td>4,704</td>
<td>5,824</td>
</tr>
<tr>
<td>1993*</td>
<td>8,624</td>
<td>156</td>
<td>156</td>
<td>941</td>
<td>7,683</td>
<td>9,250</td>
</tr>
<tr>
<td>1994*</td>
<td>12,072</td>
<td>219</td>
<td>220</td>
<td>1,317</td>
<td>12,292</td>
<td>14,487</td>
</tr>
<tr>
<td>1995*</td>
<td>16,903</td>
<td>307</td>
<td>307</td>
<td>1,844</td>
<td>19,976</td>
<td>23,049</td>
</tr>
</tbody>
</table>

Notes: Unit in million baht
* Estimates
A The rate is 3,000 baht/1 phone
B The fee is 1,000 baht/1 phone
C The annual fee is 6,000 baht/1 phone
D Minimum estimates of revenues from telephone call made by users

Source: Klang samong 9:98 (November 1991)

The major stake involved in mobile telephone business and discrepancies in government concessions led to political manoeuvrings among the state telecommunications agencies and politicians to resolve the problem. While Thamrong Saengsuriyachan, Secretary to Minister Vinai Somphong (1992-94), suggested in 1993 that UCOM's concession should be brought under the TOT's umbrella to solve the problems relating to unfair competition,\textsuperscript{26} Somsak Thepsuthin, the Deputy Minister supervising the CAT, bluffed in reply that the idea was inappropriate, and that all

\textsuperscript{25} The income generated by the two organisations surged from 95 million baht in 1987 to 1,600 million in 1990 and is likely to top 14,487 million and 23,049 million in 1994 and 1995 respectively.

\textsuperscript{26} Phu jad karn, 27-28 March 1993.
wireless communication should instead be under the absolute control of the CAT. Along with the Deputy Minister, the CAT board objected to the transfer of UCOM's mobile telephone operation to the TOT, but alternatively proposed a change in the connection system and access fee adjustments of its projects. Meanwhile, both UCOM and Shinnawatra struggled to gain advantage over each other through political lobbying rather than joining forces to create a level playing field. Eventually both the TOT and CAT surrendered to Minister Vinai's pressure to change the numbering and connection arrangements that would iron out differences in pricing and calling procedures of both telephone systems.

Although Shinnawatra and UCOM were provided duopoly status by their contracts with the TOT and CAT, another step towards telecommunications liberalisation was later made possible by the technological revolution, coupled with active intervention by pro-reform politicians. The recent developments in digital technology opened up an opportunity for new mobile telephone services as well as for the new interpretation of existing contracts. In 1994, Shinnawatra and UCOM started operating digital mobile telephone services which would substantially improve the quality and extensiveness of their existing services; Shinnawatra adopted the Scandinavian GSM technology while UCOM chose the American PCN system (Table 6.3). Because of the quality improvement and expansion in capacities, it was expected that two million more customers could be added to the mobile telephone market. These

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28 TAC lobbied the CAT to extend its concession for another seven years without calling for new bids, claiming that a 20-year concession or longer was necessary for stock listings (*The Nation*, 9 February 1993). In response to this extension, Shinnawatra counter-attacked that TAC had in fact gained many more advantages than its group. Also, Shinnawatra claimed that its concession should be extended in a similar way to TAC's, and that its revenue-sharings with the TOT be revised downward. In turn, TAC argued that it was disadvantaged because it had to pay higher fees and investment costs than Shinnawatra (*Telecom Journal* 2:29, 1-15 November 1993).
29 Both systems were supposed to be identical from March 1994.
30 The launching of the 'Thaicom 1' satellite in late 1993 has enabled Shinnawatra to extend and improve its mobile telephone services, broadcasting, and other telecommunications businesses throughout Thailand and Indochina. The move instigated UCOM to join Motorola's 'Iridium project' to set up an international gateway in Thailand to service mobile telephone users across seven countries including Thailand, Singapore, Malaysia, Vietnam, Laos, Cambodia, and Burma. The Iridium project comprises 66 low-orbit satellites across the globe to provide roaming telecommunications services via personal mobile telephones (*Bangkok Post*, 28 January 1994).
developments coincided with the replacement of Deputy Minister Somsak by Pinit Jarusombat after a cabinet mini-reshuffle in September 1993. Pinit, whose policy was clearly set to boost competition and liberalisation, seized the opportunity provided by the development of new technology to justify the opening of the mobile telephone market to new operators. Because the digital technology required new radio frequencies different from the former NMT 900 MHz and AMPS 800 MHz, Pinit asked the Post and Telegraph Department to consider allocating additional frequencies to future operators besides Shinnawatra and UCOM. In Pinit's view, more intense competition was expected to bring down prices and improve services so that as many people as possible could afford mobile telephones. Following Pinit's initiative, the pro-reform coalition combining top MOTC technocrats and the PTD Director General responded favourably to further liberalisation of the business.

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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>NMT 470</td>
<td>TOT</td>
<td>Jul 1986</td>
<td>47,000</td>
<td>48,500</td>
<td>48,500</td>
</tr>
<tr>
<td>AMPS 800 A</td>
<td>CAT</td>
<td>Feb 1987</td>
<td>46,300</td>
<td>46,300</td>
<td>46,300</td>
</tr>
<tr>
<td>NMT 900</td>
<td>AIS (20 yrs)</td>
<td>Oct 1990</td>
<td>120,000</td>
<td>238,000</td>
<td>420,000</td>
</tr>
<tr>
<td>AMPS 800 B</td>
<td>TAC (15 yrs)</td>
<td>Sep 1991</td>
<td>62,100</td>
<td>116,900</td>
<td>240,000</td>
</tr>
<tr>
<td>GSM 900</td>
<td>AIS</td>
<td>1994</td>
<td>0</td>
<td>0</td>
<td>25,000</td>
</tr>
<tr>
<td>PCN-1800</td>
<td>TAC</td>
<td>1994</td>
<td>0</td>
<td>0</td>
<td>35,000</td>
</tr>
<tr>
<td>Total Growth (%)</td>
<td></td>
<td></td>
<td>275,400</td>
<td>449,700</td>
<td>814,800</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>61.1</td>
<td>63.3</td>
<td>81.2</td>
</tr>
</tbody>
</table>

Note: * Estimates
Sources: Bangkok Post, 11 March 1994 and 7 February 95; TISCO Quarterly Report 95; TOT; CAT; AIS; TAC

32 Further liberalisation of mobile telephones will not be easy as previous contracts protecting Shinnawatra and TAC from new competitors must be resolved. While Shinnawatra and TAC rejected the idea of allowing more operators under BTO schemes, they were more favourable to the idea of free competition without sharing revenues with the state. See Telecom Journal 2:29 (16-31 December 1993) and 2:35 (1-15 February 1994).
6.2.3 Data Communication Projects

The various data communication projects undertaken in Thailand provide good examples of the working relationships established among business, politicians, and technocrats under the Chatichai government. The politics of data communication was initially marked by political corruption that brought about privatisation of the business. The origin of the first data communication project demonstrated how local business influenced the decisions of technocrats and politicians in telecommunications. As many state telecommunications agencies tried to introduce similar services, owing to overlapping technologies in data communications, the technocrats stepped in to pressure these agencies to adhere to the policy of privatisation and increasing liberalisation.

A. Political Corruption and Privatisation

Political corruption, in which a local telecommunications business, senior MOTC technocrats, and politicians were involved, was one of the major reasons leading to the privatisation of data communication services. In the late 1980s, a proposal to provide a data communication service was tabled with a senior MOTC technocrat by the Samart Group, the major local telecommunications firm specialising in satellite technology and data processing. Since its satellite dish industry was closely connected to the extension of data communications, Samart came up with the idea of becoming the main provider of such services. Because of his past failure to convince the TOT and CAT to provide similar services, owing to the preoccupation with so many projects, the senior MOTC technocrat thus agreed with Samart's plan and built the bridge linking Samart with the Minister. Obtaining the green light from the Minister, the technocrat instructed the PTD to issue a data communication license to Samart under a BTO scheme without public tenders.33

Convinced that data communications had bright prospects, the technocrat then prepared another licence for a second business similar to Samart's. The idea of issuing

33 Interview with Bangkok representative of a foreign telecommunications operator, 21 April 1993.
more than one licence occurred to him in order to prevent a monopoly by Samart on the one hand, and to yield financial benefits to the senior politicians taking charge of telecommunications policy on the other.\(^{34}\) Since political parties were then gaining influence after the several elections during the 1980s, some politicians began to act as political brokers in selling to firms the government licences due to be allocated by some cabinet members. Under the Chatichai government, a political aide of a senior cabinet member was then known as one of the most skilful brokers. Coincidentally, that cabinet member and the MOTC Minister were members of the same party at a time when the former was the party leader and the latter party secretary. In a deal between the two politicians and the senior technocrat, the second licence (after Samart's) brokered by the aide to the cabinet member was to be granted in exchange for a financial reward. Consequently, the broker organised a meeting between the latter and a representative of a leading Australian telecommunications company interested in the data communication license. As part of the deal, the foreign company was urged by the cabinet member to "do the right thing" by paying US$ 1 million, given that there would be no further licences in the same service.\(^{35}\) However, the company declined the offer as it doubted the legality of a licence which was not issued by the TOT or CAT, and it was alarmed about the potential risks caused by an under-the-counter deal. Following the withdrawal of the foreign firm, the broker then turned to a large Sino-Thai family which owned an extensive financial business, offering a similar deal.\(^{36}\)

**B. The Technocrats and Liberalisation**

Soon after the privatisation of data communications, political manoeuvring developed in the form of a tug-of-war between the TOT and CAT, which now moved to extend their business interests into data communications in competition with the two private operators and the NESDB, which was pressing for both the privatisation and

\(^{34}\) Interview with a foreign correspondent of the *Far Eastern Economic Review*, 7 April 1993.

\(^{35}\) Interview with Bangkok Representative of an Australian telecommunications company, 21 April 1993.

\(^{36}\) Because of the high level of demand for data communications in financial business, a deal was made and a joint venture then formed between two large Sino-Thai families in Bangkok and a foreign operator to undertake the project. Ibid.
liberalisation of TOT and CAT projects. Prompted by the PTD’s licensing of data communication services, the CAT reacted by introducing a similar project in order to preserve its status as the foremost telecommunications operating agency. While the PTD concessions were limited to data and image communication, the CAT initiated Very Small Satellite Aperture Telecommunication (VSAT) services combining such communications with voice, which it claimed would promote Thailand as the telecommunications centre of the region. Soon after the proposal was submitted to the government for consideration, the NESDB argued that the CAT’s plan for a self-operated project would compete with the two private projects, adding that it did not conform to the government policy of promoting private participation in telecommunications. In the NESDB’s view, a regional telecommunications centre should be created by allowing as much private participation as possible. Although this view was shared by a group of senior CAT officials who regarded VSAT as unnecessary duplication, they could not resist the CAT board’s pressure to undertake the project. Nonetheless, owing to the NESDB’s strong opposition, the CAT was forced to withdraw the project for review in December 1990 before yielding to the privatisation scheme. As a result; Thai Skycom was chosen as the sole provider of this project in 1992 (Table 6.4).

Table 6.4: Data Communication Concessions

<table>
<thead>
<tr>
<th>System</th>
<th>Operator</th>
<th>Regulator</th>
<th>Concession Time (inauguration)</th>
<th>Signals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Samart Link &amp; Net</td>
<td>Samart Telecom</td>
<td>PTD</td>
<td>15 years (1990)</td>
<td>Data</td>
</tr>
<tr>
<td>SatLink &amp; Datacast</td>
<td>Compunet</td>
<td>PTD</td>
<td>15 years (1990)</td>
<td>Data</td>
</tr>
<tr>
<td>VSAT</td>
<td>Thai Skycom</td>
<td>CAT</td>
<td>15 years (1992)</td>
<td>Voice, Image, Data</td>
</tr>
<tr>
<td>Datanet</td>
<td>Shin. Datacom</td>
<td>TOT</td>
<td>10 years (1990)</td>
<td>Voice, Image, Data</td>
</tr>
</tbody>
</table>

37 In the project, worth 262 million baht, a ground station for satellite communications and another two hundred smaller stations would be built to provide services for private companies (MOTC letter to the NESDB, dated 13 July 1990).
38 See NESDB report to the Prime Minister, dated 2 November 1990.
39 Interview with a former CAT Deputy Governor, 5 March 1993.
Like paging services, overlapping technologies and business competition among state agencies in data communications significantly contributed to the increasing liberalisation of the services. While the CAT was struggling to keep the data communications field under its control, the TOT preempted action by its rival by awarding data communication concessions to Shinnawatra and Acumen in 1990 and 1991 respectively. The duplication of services being permitted to many private operators under the protection of the three state agencies induced prolonged debates over the discrepancies between the terms of contracts, concession periods, and revenue sharing schemes of all these concessions. The competition among these private operators widely produced conflicts not only among the private operators themselves, but also between the private operators and the state agencies. For instance, Compunet (the second concessionaire after Samart) claimed that the agreement with the MOTC for holding its duopoly status with Samart was breached, and that other operators had more favourable contracts because of their better connections with the TOT and CAT. The disadvantages faced by Compunet and Samart finally led them to lobby for a transfer of their contracts under the PTD to TOT's or CAT's orbit for permission to provide additional voice services.

6.2.4 The Data Processing Zone

The Data processing zone (DPZ) was a unique case in the politics of telecommunications because it was not a project under the MOTC's control, but was

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40 While PTD concessions bar Samart Telecom and Compunet from providing voice services, CAT's and TOT's concessionaires are allowed to operate international and domestic voice services.

41 In addition, Philip J. Richard, Compunet Manager explained that the four major problems facing the company were outdated telecommunications laws, uncertain government tariff and taxes, short promotion period, and no political connections with the TOT and CAT (Thansetthaki, 30 July 1992).

42 As expected, this move was strongly opposed by Shinnawatra and Acumen, claiming that it would greatly affect their businesses. However, due to Vinal's interference, the TOT was compelled to consider accepting Samart and Compunet into its camp on the basis of the same conditions applying to Shinnawatra and Acumen. See Khoo khaengthurakit, 22 February 1993 and Telecom Journal 2:34 (16-31 January 1994).

43 At its inception in 1989, the DPZ was a vague concept for telecommunications facilities for data processing and software industries, backed up by satellite communications (Interview with Mr. Pansak Winyarat). A study later commissioned by the Ministry of Science, Technology, and Energy, completed in January 1991, recommended that the project combine four major components: first, data processing industries which include electronic media; second, software industries; third, value-added services like Electronic Data Interchange (EDI) and Computer Reservation systems (CRS); and fourth, hardware
carried out by the Ministry of Science, Technology and Environment. Although it has not progressed very far from the drawing board and is still a long way from becoming a BTO concession, the story is illuminating because it reveals the influential roles of Prime Minister Chatichai's advisers and their ideas of turning Thailand into a regional telecommunications centre. Next to the political parties, the Ban Phitsanulok group proved to be a powerful political force in telecommunications policy under Chatichai. However, the overthrow of that government in February 1991 threw the ball back into the bureaucracy's court, resulting in bureaucratic competition over the control of the project.

Influenced by the nationalistic idea of turning Thailand into a regional telecommunications centre, DPZ was given birth through political intervention rather than through the implementation of any particular development project. The idea of DPZ grew out of Ban Phitsanulok's earlier rejection of a proposal by Thai Airways International in late 1989 to join 'Abacus', a computer reservation system scheme to be based in Singapore. From the start, Thai Airways agreed to the idea of basing the system in Singapore because it realised the republic's superiority in data communication and software industries over those in Thailand. However, when the planned investment was put before the cabinet, Ban Phitsanulok, as the de facto secretariat to Chatichai, recommended that Thailand should instead aim to be the centre of Abacus, hence the necessary measures needed to be taken to remedy the country's inadequate data communication and other information technology industries. Growing awareness of the inadequate facilities available in Thailand prompted Ban Phitsanulok to introduce some

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industries for both telecommunications and computer equipment. This latter concept is divided into both physical and logical zones. The physical zone consists of a kind of industrial estates to be operated on a commercial basis, and the logical zone is a nationwide promotion of those specific industries to be promoted by the Board of Investment (BOI). The combined cost of the DPZ was estimated at 11,400 million baht, to be funded by the Ministry of finance, TOT, CAT, the Crown Property Bureau, and private enterprises. See details in Ministry of Science, Technology and Energy, Summary of the Data Processing Zone (Bangkok: January 1991).

The scheme would enable member airlines to coordinate their ticket reservations and confirmations. Asian airlines such as Singapore Airlines, Malaysian Airlines, and Garuda Indonesian Airlines join the scheme. Thai Airways was one of the founders of the scheme and its investment was tipped at 1 billion baht.
vague ideas about a DPZ in order to promote data processing industries. The influential role of Ban Phitsanulok came to public attention when Chatichai adopted the suggestion and asked Thai Airways and the Ministry of Science to follow up the cabinet directive.\textsuperscript{45}

A later development was the formation of a coalition promoting Thailand as the centre of the computer system spearheaded by Ban Phitsanulok, the Ministry of Science, and the CAT. For Thai Airways and the MOTC, which supervised the national carrier, the success of the computer system in Thailand was put in doubt by the low-speed international transmissions and complicated regulations governing state telecommunications agencies.\textsuperscript{46} This argument was contradicted by the pro-DPZ coalition's assurances that high-speed data communication facilities could be ready in one year,\textsuperscript{47} and that funding and technology were not major problems.\textsuperscript{48} Because Abacus was a joint project of many Asian airlines, this political intervention forcing Thai Airways to urge relocation of the base for the computer system put the national airline in a dilemma. On the one hand, Thai Airways would be blamed by other Asian partners for putting Abacus at risk by relocating the system to the less advanced facilities in Bangkok; hence it might be excluded from the scheme. On the other hand, should its attempts to relocate the system fail, Thai Airways might not be given the green light to join the project in Singapore at all, so its business plans would be greatly affected. In an effort to save face for the government after its attempt actually failed, Thai Airways withdrew from the Abacus venture before joining in a similar scheme called 'Amadeus' with European airlines.

Although Ban Phitsanulok had not succeeded in making Bangkok the base for the computer reservation system, the Abacus saga and its impact spurred the government on towards remedying Thailand's telecommunications deficiencies. With

\textsuperscript{45} Interview with Dr. Phairaj Thajjayapong, NECTEC Director.
\textsuperscript{46} Interview with Dr. Sudhiporn Pathumwapibal, Ministry of Science, Technology and Environment, and Mr. Somlak Sajjaphinand.
\textsuperscript{47} Interview with Dr. Phairaj Thajjayapong.
\textsuperscript{48} Interview with Mr. Damnoen Kaewtawee, a CAT executive.
political support from Ban Phitsanulok, the Ministry of Science designated the National Electronics and Computer Technology Centre (NECTEC) to carry out the DPZ project as a first step towards developing information technology industries. There were three important elements involved in the policy on DPZ. First, a nationalistic view that Thailand was the leading country in the region (relatively matured economy, large economic size, and large population), which led to denial of any notion that Thailand should allow itself to be dependent on the telecommunications infrastructure of Singapore. In the advisers' view, if the telecommunications nodes in Singapore were ever destroyed or disrupted, the Thai banking system and the Thai economy could be badly affected and might possibly collapse. In contrast, the development of DPZ, backed up by satellite communication, would enable Thailand to compete with the island state in high-tech banking, insurance, and data-processing services.\(^{49}\) Second, the control of the DPZ by the Ministry of Science would bypass the TOT and CAT, thereby pressuring those two organisations to improve their efficiency and become more responsive to business demands.\(^ {50}\) Finally, the idea of making Thailand into a regional economic centre, boosted by Chatichai's proposals for "turning Indochina from a battlefield into a market place", influenced the decision to develop the DPZ, together with the data-processing and software industries. Following the vision of Pansak Winyarat, Chatichai's Chief Adviser, the data collected from oil and natural resource exploration in the region would be processed in the DPZ to serve the needs of multinational companies investing in a booming Indochina. The value-added services that would originate from the DPZ persuaded Ban Phitsanulok and Chatichai into believing that the project would help make Thailand the financial and telecommunications centre for Southeast Asia.\(^ {51}\)

The origin of the DPZ, in connection with the Abacus fiasco, coupled with blatant political intervention by the Ban Phitsanulok group gave a bad impression about

\(^{49}\) Interview with Mr. Pansak Winyarat.
\(^{50}\) Interview with Dr. Sudham Yunaidham.
\(^{51}\) Interview with Mr. Pansak Winyarat and Dr. Prasith Prapinmongkolkarn, former CAT board director.
the project to academics and technocrats, who criticised the project as too abstract and logically unclear. Many argued that the project was created out of thin air by politicians eager simply to enhance their popularity. Dr. Suddhiporn Pathumwapibal and Mr. Somlak Sajjaphinand were examples of the critiques. When a study conducted by Arthur D. Little revealed that the project was in fact a combination of industrial estates and telecommunications infrastructure, the MOTC became agitated that the DPZ was beginning to interfere within its jurisdiction. As a result, bureaucratic rivalry ensued between the MOTC and the Ministry of Science in data-processing infrastructures. In a preemptive strike against the DPZ, handled by the Ministry of Science, the MOTC urgently launched a teleport project when a detailed study of the DPZ was unveiled. But the 1991 coup took place soon after, so neither of the two projects was ever approved.

While Chatichai's loss of political power significantly affected the projects brought to life by his advisory group, the teleport project was paradoxically then advanced by the technocrats. Under the Anand government, the teleport was able to get off the ground in July 1991 because of the support it received from both the MOTC and NESDB. In contrast with the involvement of various state agencies in the DPZ, the teleport was directly under the control of the MOTC, despite the need for coordination between the TOT and CAT. Because of its involvement in the DPZ affairs and its introduction of the rival teleport project, the MOTC has been criticised as the main obstacle causing delays in the project. Moreover, the MOTC staunchly refused to relinquish its absolute control over the telecommunications infrastructure required for

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52 Dr. Suddhiporn Pathumwapibal and Mr. Somlak Sajjaphinand were examples of the critiques.
53 Teleport or a special telecommunications zone is a special local distribution network with its own microwave or satellite links to the existing national network with 'light-handed regulation'. Within teleport, entry conditions would be liberalised, and special service and tariff conditions would apply. Teleport is normally built to enhance the operation of export processing zones or special economic zones. See Peter Smith and Gregory Staple, *Telecommunications Sector Reform in Asia*, World Bank Discussion Paper No. 232 (Washington, D.C.: World Bank, 1994). In Thailand, the idea of teleport proposed by CAT technocrats was to encompass international telephone switching centres covering an extensive area under the Eastern Seaboard (ESB) scheme. Also the project was designed to serve as a back up telecommunications system for the Bangkok region (Interview with Mr. Somlak Sajjaphinand). The combined investment was estimated at 2,053 million baht, to be co-invested by the TOT and CAT. See details in Cabinet Resolution, 9 July 1991.
54 Interview with Mr. Somlak Sajjaphinand.
the DPZ, insisting that such a development must be under its authority.\textsuperscript{55} Since there was a prevailing perception that the DPZ was simply a legacy of the Ban Phitsanulok group, the Ministry of Science remained the only true sponsor of the project.\textsuperscript{56}

### 6.2.5 The International Gateway Project

A planned international telephone switching centre (known as an international telephone gateway) was one of the first BTO projects initiated by the Chuan government (1993-95). Although it did not get off the ground like the DPZ, this proposal tells an interesting story about the political movement to control corruption among the government parties. On the one hand, it combined elements of \textit{jao pho}-style politics, whereby politicians resorted to political interference to further party interests, and hence corruption scandals followed. On the other hand, political checks and balance among the coalition parties, roughly analogous to \textit{jao sua} versus \textit{jao pho} politics, marked a new phase in telecommunications politics. Moreover, the return of labour as an important force in all this could be seen in its joining hands with 'clean' parties to terminate the project.

Political interference similar to the old practice of \textit{jao pho}-style politics heralded the controversy over the international gateway project. This project was imposed on the CAT by Deputy MOTC Minister Somsak Thepsuthin in 1993, disregarding its existing development plans.\textsuperscript{57} Somsak's project included 3,000 international telephone circuits to be operated under a BTO scheme in southern Thailand at a cost of 800-900 million baht over the 20-year period. Interestingly, the desire to carry out a small-scale project valued at no more than one billion baht was a response to the new law enacted by the Anand government requiring that all projects above that value be submitted for NESDB approval.\textsuperscript{58} This project basically duplicated the CAT's long-term plan to expand

\textsuperscript{55} Interview with Dr. Phairaj Thajjayapong.
\textsuperscript{56} See the development of the DPZ under Anand in Cabinet Resolution, 5 November 1991.
\textsuperscript{57} Interview with a senior MOTC official, 7 April 1993.
\textsuperscript{58} Under the legislation, any project which costs more than one billion baht must be scrutinised by the NESDB and approved by the cabinet (see chapter 5).
international telephone capacities from 2,500 circuits in 1992 to 18,000 by 1998.\textsuperscript{59} Therefore, the CAT board, headed by Chavalit Thanachanan, strongly disagreed with Somsak's proposal and the issue was indefinitely postponed. Since political interference in the form of an SOE board transfer was the most effective means to carry out a Minister's policy and projects, Somsak decided to remove the CAT board under Chavalit and replace it with a new one headed by Smith Thammasaroj. Hence the kinds of frequent direct political intervention in state enterprises and alliances with senior bureaucrats, as experienced under Montri, were once again repeated in Somsak's administrative style. As soon as the new board assumed office, it was asked to consider the international gateway project under the claim that the real demand for circuits had increased beyond the previous projection. As expected, the new board agreed to put many of Somsak's wishes into action.

Whereas the privatisation policy was used to justify the implementation of various BTO projects under Chatichai, the idea of turning Thailand into a telecommunications hub was referred to by Somsak and Smith in pressing ahead with questionable projects like the international gateway. Both had argued that if international communications were to be totally controlled by the state, the welfare of consumers and national security would be badly affected whenever labour conflicts occurred. On the other hand, a privately-operated gateway would prevent any such paralysis of the country and therefore enable Thailand to develop as a regional telecommunications centre.\textsuperscript{60} Furthermore, the CAT board Chairman explained to Minister Vinai that the project served the government's policy both by promoting Thailand as the gateway to Indochina and by helping to catch up with Singapore's telecommunications development.\textsuperscript{61} Also, the board Chairman claimed that the managerial skills and experience gained from such business activities would effectively

\textsuperscript{59} The 10 billion baht plan was the first time that the CAT moved aggressively to meet an expected future demand instead of just catching up with demand as traditionally practiced. The new logic was guided by the policy of making Thailand a regional economic and telecommunications centre. See \textit{Telecom Journal} 1:16 (16-30 April 1993) and \textit{Thansetthakit}, 28 March 1993.

\textsuperscript{60} \textit{Matichon}, 9 April 1993 and \textit{Telecom Journal} 1:16 (16-30 April 1993).

\textsuperscript{61} \textit{Bangkok Post}, 13 April 1993.
prepare the CAT for future privatisation.\textsuperscript{62} Initially, Vinai was persuaded by these explanations and lent support to the project until subsequent opposition from labour and other parties forced him to change his position.\textsuperscript{63}

Concerned that political corruption would rock the Chuan government the same way as had happened with Chatichai, some government politicians joined with CAT labour organisations to stop the international gateway project. At the beginning, the CAT Employees' Association (or Union, before the coup) was the leading body opposing Somsak's plan. In an attempt to attract public support, the Association said that labour simply disagreed with Somsak's non-transparent decision-making process, instead of rejecting the plan on the grounds of its privatisation program.\textsuperscript{64} Labour successfully mobilised public support through the media and intensive lobbying of Minister Vinai and relevant government officials without using aggressive measures like job slowdowns.\textsuperscript{65} These milder labour tactics and their more persuasive arguments had the effect of lessening public misgivings about labour's interests in the matter, thereby paving the way for wider support from political parties. Starting with the Democrat Party, three of its more outspoken MPs were reported to be concerned about the tarnished image of the government caused by the scandal surrounding Somsak.\textsuperscript{66}

Moreover, Thanin Jaisamut, a member of the House Committee on Communication and Transport and former CAT employee, alleged that corruption was involved in this project. He also claimed that the CAT labour organisation had been offered bribes in the past by a big private company brokered by military officials to privatise a similar

\textsuperscript{62} Bangkok Post, 28 April 1993.
\textsuperscript{63} Bangkok Post, 9 April 1993.
\textsuperscript{64} The labour position was explained as follows. First, labour reaffirmed that the expansion plan during 1992-98 would be adequate to meet the expected demand. Second, it argued that as long as the study on the privatisation of the CAT was not completed, private participation should be put on hold, pending the outcome of the study. Third, it preferred the corporatisation of the CAT, which would turn the organisation into a public company, rather than adding more BTO concessions. See Phujad karn, 28 April 1993 and Telecom Journal 1:16 (16-30 April 1993).
\textsuperscript{65} According to Wattana's argument, the projected incomes to be earned from the proposed project would amount to 100 billion baht for the 25-year period. In comparison, if the project was operated by the private sector, the CAT would earn only 26 billion baht from revenue sharing (Thai Financial, 9 April 1993).
\textsuperscript{66} The three MPs were Thanin Jaisamut, Alongkorn Pollabutr, and Chakkraphan Yomjinda (Bangkok Post, 9 April 1993).
telephone project. Coincidentally, this claim matched with information disclosed by an MOTC source that the Thanayong group and Air Force officials had previously offered 500 million baht to the CAT board to approve the same project to be contracted out under a BTO scheme. Amidst the corruption scandals associated with the international gateway project, Somsak was reported to have denied the allegation that he had received a 52 million baht commission from a private firm. Although no bidding had been called for by mid-1993, it was rumoured that key officials responsible for the plan "may already have known who is going to get the project."

These incessant public accusations and criticisms of Somsak gave rise to further political intervention by leaders of key government parties worried about the stability of the coalition. The longer the issue dragged on, the clearer the difference between the urban-based parties and the jao pho-style parties (SAP in this case) developed. "If the issue had been left alone, it might have caused misunderstandings among the coalition partners and directly affected the stability of the government", commented a Democrat Party source. Meanwhile, the Palang Dharma Party, for which a major concern was to preserve the clean image of the government and the party, pressured Minister Vinai to screen all of his Deputy Ministers' major proposals in order to prevent any possible misconduct. As a consequence, Vinai decided to intervene, postponing the project indefinitely.

67 Bangkok Post, 8 April 1993.
68 Matichon, 8 April 1993.
69 Naew na, 7 April 1993.
70 Commented by Bangkok representative of a foreign telecommunications company, 21 April 1993.
71 Bangkok Post, 9 April 1993.
72 Bangkok Post, 13 April 1993.
6.3 Telecommunications Concessions, Political Corruption, and the Competing Interests

6.3.1 The Three-million-line Telephone Project

If there was any one telecommunications project which clearly played a major part in bringing about a change of government in Thailand, then the expansion of the three-million-line telephone project (which was proposed in 1990 and won final approval in 1992) fits the bill. Not only was the US$ 4-billion expansion the largest public project in Thai history, but it was also the most controversial and most politicised of all. Political manipulation and the active roles of politicians, local and foreign business, the military, and the technocrats all contributed to the development of a political crisis which arose out of this project. Extending over the period of 1989-92, the telephone project was marked by three kinds of telecommunications politics that reflected changes in the political regime and ongoing struggles among major participants. First, the three-million-line telephone project revealed the dominant role of politicians and the MOTC technocrats in bringing about the first privatisation of basic telecommunications services under Chatichai. Second, besides politicians, local business, which also played an important role in this project, was striking as it was able to influence the decision of the whole cabinet in spite of widespread rumours of political corruption. Third, as political corruption was brought to an end by the military's over-throw of the Chatichai government and party-based politics, bureaucratic corruption then reappeared involving the military too. Therefore, conflicts between technocrats-turned-businessmen, led by Prime Minister Anand, and the military leadership escalated, resulting ultimately in the removal of the military from telecommunications politics altogether when it lost control of the government in 1992.

A. Politicians and the Politics of Privatisation

The origin of the telephone project was an interplay among politicians, MOTC technocrats, and foreign telecommunications businesses in pushing forward the privatisation of basic telecommunications services. Actually the idea of privatising
fixed-line telephones was not new, for the proposal had been made by Minister Samak during the mid-1980s (see Chapter Four); but it was ruled out at the time for fear of legal violations. Also, incessant labour protests then stalled the government's reform in telecommunications. But a severe shortage of telephones in 1988-89 resulting from Thailand's economic boom put pressure on Minister Montri to find a way to relieve the problem. Initially he came up with the vague idea of adding five million more telephone lines by the end of the Seventh Plan in 1996. However, because of the TOT's lower demand forecasts than Montri's number and because the capacity of the organisation to carry out the project was limited, the agency tried to convince Montri that the target number was too high. After long negotiations, Montri agreed with the TOT to aim at a figure of three million additional telephone lines, with the repeat order method selected as the procurement means. Yet before the project started (to be implemented by the TOT), Montri was approached by BritishTelecom with a proposal to install one million telephone lines on a Build-Operate-Transfer (BOT) basis. Following that proposal, Mitsui, Toyomenka, Alcatel, and Ericsson all expressed their intention of engaging in similar projects. The strong interest in the telephone project shown by many foreign operators, despite the huge costs of the investment required, assured Montri that there were many potential investors available. Therefore, he decided to issue an open invitation to attract all prospective investors to secure the best terms of contract for the government.

The competition between political parties and the bureaucrats in all this was sharpened when Montri bypassed the military-controlled TOT and formed an alliance with the MOTC technocrats to have them implement the project themselves. The role of the latter had begun in early 1990 when a committee headed by Sriphumi Sukhanetr was appointed by Montri to draft the terms of reference for the project and to select the

73 Interview with Mr. Direk Jaroenphol. No clear information was given as to which source of capital the TOT would borrow from under the government's strict adherence to foreign debt ceilings.
74 But when Montri tested the water by asking for 1 billion baht guarantee and a six-month negotiation period, British Telecom withdrew its proposal.
75 Interview with Dr. Sitthichai Pokhai-udom, a telecommunications expert and former CAT board director, and Mr. Direk Jaroenphol.
The appointment of an MOTC-based committee to take charge of the bidding, instead of a TOT-appointed party, was very unusual and was perceived as unprecedented interference in state enterprise affairs. Usually, the technocrats based at the MOTC did not have a direct role in approving or disapproving such a selection. But Montri’s interference in the appointment of the committee to take total control of the selection process, including the negotiations with all tenderers, would effectively allow the MOTC technocrats to impose their decision upon the TOT board. Because the TOT board was then chaired by Gen. Jaruay Wongsayan, the appointment of a committee headed by Sriphumi was clearly intended to exclude the military from any role in the project, as well as to maximise Montri’s advantage in case opposition from the military and TOT unions arose. The political nature of this action seemed to serve Montri’s second objective of reducing the military’s role in the TOT, which was achieved when Jaruay resigned from the board Chairmanship a few months later.

The political character of the decision by the Minister in relations to the TOT’s decision-making process became more apparent from subsequent developments. According to the standard procedure for large-scale investments, the TOT board would give approval to the committee’s selection of the bid winner and then pass on its judgement to the Minister. If they were BTO projects, the Minister’s approval was considered final, but for state-funded projects, final green light from the cabinet was required. In contrast, the decision-making process for the telephone project started from the Minister before the decision was sent to the TOT, in a top-down manner, contrary to the normal bureaucratic procedure. After the committee (headed by

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76 The committee consisted of MOTC Secretary Sriphumi, Deputy Secretary Mahidol Jantarangkul, TOT Managing Director Paibul Limpaphayom, TOT Deputy Managing Director Olarn Pientham, PTD Director-General Sombat Uthaisang, and TOT Director Maj.Pol.Gen. Suchart Phueksakol. It was said that Sriphumi was the one who brought Anan Chanpraphai, British Telecom representative, to propose the idea about the project to Montri in the first place (Interview with Mr. Setthaporn Cusripituck).

77 Under government regulations, the TOT board is responsible for setting up committees to draft the terms of reference, carry out the bid, open the envelopes containing financial and technical proposals, and pick the successful bidder. Normally these tasks are taken care of by different committees to ensure fairness and accountability.

78 Despite a rumour that Jaruay was frustrated with the lack of coordination from TOT officials, a major cause of his resignation was certainly his hostile relationship with Montri (Prachachartthurakit, 22 March 1990; Than setthakit, 9 April 1990).
Sriphumi) reached a decision to select the Charoen Pokphand group (CP) as the successful bidder, the result was reported to Montri on 5 September 1990. He later endorsed the committee's decision and notified Prime Minister Chatichai on 11 September 1990. Following the Minister's initial approval, the TOT board was ordered on 13 September 1990 to award the contract to CP and then submit the matter for the Minister's formal approval. In essence, the TOT board's decision was just meant to rubber-stamp Montri's and his committee's decision, because state regulations stipulated that the Minister's decision should follow the board's proposal. Montri subsequently sent a letter confirming the government decision to CP on 20 September 1990, after he had officially approved the TOT decision.

The selection of CP as the winner for the telephone contract stirred up much public criticism of the MOTC's bias in favour of that business group. Compared to other proposals, CP's bid was not unquestionably the best offer the TOT had received in terms of either revenue-sharing, the concession period, or the investment cost. Table 6.5 demonstrates that, in the first bid for the one-million-line provincial telephone project (a part of the broader three-million-line project), CP proposed that the TOT receive only 6 per cent of its revenues, compared to 51 per cent offered by Ericsson, 5 per cent by Toyomenka, and 56 per cent by Alcatel. Alcatel's proposal was clearly the best in terms of a financial offer for the one-million line project. For the two-million-line Bangkok project, Table 6.5 also shows that Alcatel offered the highest revenues to the state, at 51 per cent, followed by Ericsson at 20 per cent, while CP was the lowest bidder in this category at 6 percent. Moreover, CP asked for the longest concession period, 28 years in both projects, while Alcatel proposed to have only a 15-year concession. If the cost-effectiveness of the investment is calculated, Ericsson's project required the lowest amount of investment capital for the one-million-line project, while Mitsui's cost was the lowest in the two-million-line project. Given that CP's proposal was outbid by others in both projects, CP should have been ranked at the bottom of the list.
Table 6.5: Comparison of Proposals on the Three-Million-Line Telephone Project

1 Million-Line Project in Provincial Area

<table>
<thead>
<tr>
<th>Bidder</th>
<th>CP</th>
<th>Mitsui</th>
<th>Ericsson</th>
<th>Toyomenka</th>
<th>Alcatel</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment (mil baht)</td>
<td>52,311.00&lt;sup&gt;1&lt;/sup&gt;</td>
<td>26,530.54&lt;sup&gt;2&lt;/sup&gt;</td>
<td>40,300.00&lt;sup&gt;2&lt;/sup&gt;</td>
<td>35,024.00&lt;sup&gt;3&lt;/sup&gt;</td>
<td></td>
</tr>
<tr>
<td>Concession Years</td>
<td>28</td>
<td>24</td>
<td>30</td>
<td>15</td>
<td></td>
</tr>
<tr>
<td>Revenue Sharing (%)</td>
<td>6&lt;sup&gt;4&lt;/sup&gt;</td>
<td>51&lt;sup&gt;5&lt;/sup&gt;</td>
<td>5&lt;sup&gt;5&lt;/sup&gt;</td>
<td>56&lt;sup&gt;5&lt;/sup&gt;</td>
<td></td>
</tr>
<tr>
<td>TOT Income 15 yrs</td>
<td>26,196.18</td>
<td>47,015.88</td>
<td>5,596.77</td>
<td>30,106.38</td>
<td></td>
</tr>
<tr>
<td>TOT Income 20 yrs</td>
<td>41,970.48</td>
<td>75,626.88</td>
<td>7,806.77</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>TOT Income 24 yrs</td>
<td>58,610.28</td>
<td>101,376.78</td>
<td>10,016.77</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>TOT Income 28 yrs</td>
<td>68,802.78</td>
<td>-</td>
<td>11,342.77</td>
<td>-</td>
<td></td>
</tr>
</tbody>
</table>

Notes: (1) Three-time investment and modernise equipment every 10 years
(2) If tax privileges granted
(3) If tax privileges granted and no maintenance cost included
(4) Or 30% of profit before tax
(5) Revenue sharing will be recalculated if no tax privileges granted
(6) One million lines only

Sources: Compiled from TOT documents

Nonetheless, owing to the many different conditions attached to each proposal, it was impossible to make an objective comparison of all the proposals under these circumstances. The major cause of the divergence among all these proposals was actually the deficient and ambiguous four-page Terms of Reference drafted by the selection committee. As all the proposals were not based on the same grounds, the committee chose to disregard proposals which it considered were not adequately
qualified, leaving the others intact. In the process, CP was chosen as a qualified candidate in both the one million-line and two-million-line projects, with Toyomenka considered qualified for the former. To the wonder of many, the candidates rejected were not provided with any opportunity to clarify their points, nor were they invited to negotiate with the committee, in spite of their handsome financial proposals.

B. Political Corruption and the Politics of Business

After CP was selected the sole operator of the telephone project, intense lobbying and political manoeuvring among businessmen and politicians made this project the most politicised infrastructure program known up to that time. Montri's controversial handling of the project and the sketchy information given to the cabinet caused much dissatisfaction among cabinet members, to such an extent that the cabinet decided to intervene. It therefore overruled Montri's authority to take control of the project. When his decision was not endorsed by the cabinet, and he was also asked to table more details for further consideration, Montri was so furious that he threatened to withdraw the SAP from the government. After a compromise reached among the coalition parties, the cabinet eventually agreed to Montri's decision in early October and passed the draft contract to the Prosecutor's Office with four observations attached for legal rectification.

79 Alcatel was disqualified because of lack of commitment to technical maintenance, and its intention to apply for tax privileges. Ericsson also intended to apply for tax privileges and would not provide any revenue to the TOT during the first five years of operation. Mitsui would only invest in the one-million-line project in Bangkok, while the two million more lines were to be added when real demand materialised during 1992-96. Although Toyomenka asked for tax privileges, it was allowed to compete with CP for the one-million-line provincial project as the committee wanted to have more than one firm in the bid, and Toyomenka was the least disqualified candidate of all the ones rejected. See Prime Minister's Office, Khortejjing krongkan thorasap samlan lekmai (Report on the Facts of the Three-Million-Line Telephone Project) (Bangkok: 1992).

80 On 2 September 1990, Chalerm Yubamrungrung, Minister attached to the Prime Minister Office, and Sanoh Thienthong, Deputy Minister of Interior, urged Chatichai and the cabinet to review Montri's decision, claiming that such a large project needed to be studied carefully. Also, Viraphong Ramangkura, the Minister of Finance, opposed the TOT's agreement to provide customer maintenance services for CP's future network (Siam Rath sapdah wijarn 37:18, 14-20 October 1990).

81 Dok bia 9:114 (December 1990).

82 The four observations were: 1) the private investor must not be allowed to cause damage to the public; 2) the future expansion of this project must be submitted to the cabinet; 3) the investor must use at least 50 percent supply from domestic sources; 4) the NESDB and the Solicitor Office were asked to draft criteria and steps for granting future concessions to the private sector (Cabinet Resolution, 9 October 1990).
The cabinet's brief intervention in the project enhanced the prominence of the Ban Phitsanulok group as the political body asked by Chatichai to review the matter. Although Ban Phitsanulok took the view that the project was not carried out in an appropriate manner, it gave endorsement to Montri's decision on the condition that the project serve two main purposes: breaking down the Japanese monopoly over the telephone infrastructure in Thailand; and forcing the TOT to become more efficient. In Ban Phitsanulok's view, if Toyomenka had won the bid it would control not only the one-million-line telephone network but also all future telephone expansion programs, as any other systems would not be compatible with Japanese technology. Moreover, the advisers were concerned that if the three-million-line project was broken down into two parts, there would be a cream-skimming of the Bangkok region while the provincial project would be left behind.\textsuperscript{83} Since its top priority was to prevent the domination of telecommunications infrastructure by any particular foreign group, Ban Phitsanulok thus laid down conditions to the Chairman of CP that it must balance out its equipment suppliers to more than one source so as to ensure fair prices as well as to prevent any future network monopoly.\textsuperscript{84} For the advisers, the growing controversy of the project, combined with the external urgency resulting from trade disputes with the United States, required a quick conclusion of the review. Because this project was a long-term investment, the Ban Phitsanulok group was determined to see a private firm committed to the project within the term of the Chatichai government.\textsuperscript{85}

The review of Montri's decision by the cabinet and its subsequent approval, despite initial objections to the project, stirred up public criticism and allegations of political corruption involving all the parties concerned. Arthit Urairat, the United Party spokesman, alleged that a 13 per cent commission had been paid to cabinet members for their approval.\textsuperscript{86} A foreign business source confirmed that as much as 100 million

\textsuperscript{83} Interview with Dr. Sudham Yunaidham.
\textsuperscript{84} Interview with Mr. Pansak Winyarat.
\textsuperscript{85} Ibid.
\textsuperscript{86} Siam Rath sapdah wijarn 37:18 (14-20 October 1990).
pounds sterling was distributed among cabinet members and key government officials.\textsuperscript{87} An academic source also claimed that a commission of 2 billion baht was handed to two leading cabinet ministers when the project won approval, and 2 billion baht more was promised as rewards to the politicians if the contract was signed.\textsuperscript{88} Down at the selection committee level, there was a rumour that CP was illegally helped to beat Toyomenka in the second round of bidding for the one-million-line telephone project. It was said that before the selection was made, CP's financial envelope was swapped and replaced by one containing a higher offer than the one proposed by Toyomenka.\textsuperscript{89} Incidentally, CP's financial offer was only marginally higher than Toyomenka's. Whereas Toyomenka proposed 19 and 21 per cent revenues to the TOT for the period of 20 and 25 years respectively, CP offered 19.5 and 21.5 per cent during the same period. As a result, CP was selected to invest in both the two-million and one million-line telephone projects, even before it agreed to increase the revenue sharing to 22 per cent in the province and 16 per cent in the Bangkok region.

How could so many people positioned in many organisations ranging from bureaucrats to top cabinet members become implicated in a scandal over one single project involving billions of baht of political corruption? Why was CP so influential? How and in what ways could a business group influence the decision-making of government officials at all levels? These are crucial questions which need to be explored in order to shed some light on CP's relationship with the state and the decision-making processes involved in the telephone project.

The fact that CP is the largest non-bank business conglomerate in Thailand does not in itself necessarily translate into proof of its political influence on the ways in which state bureaucrats and politicians reached their decisions. For example, Siam Cement, the largest industrial conglomerate, and the Thai Farmers Bank, the second largest

\textsuperscript{87} Interview with a foreign financial analyst of a financial security firm, 11 January 1993.
\textsuperscript{88} Interview with a telecommunications expert and former CAT board member, March 1993.
\textsuperscript{89} Interview with a senior official of the Ministry of Science, Technology and Environment, and reporters of \textit{The Nation}, 6-10 March 1993.
financial institution, were hardly implicated at all in political manoeuvrings or controversial government projects of that kind. In comparison with the two conglomerates and many other Bangkok-based business groups, the promotion of political connections has been a key strategy of CP in its business expansion, together with its innovative joint ventures with multinational companies, and highly-acclaimed entrepreneurial skills (Wattanachai, 1992). The development of the CP business empire will explain how these three intertwined strategies have led to the success of the conglomerate while also enhancing its political standing.

Vertical integration of its business subsidiaries and successful selection of foreign partners are renowned strategies behind CP's business expansion both in Thailand and overseas. From a small seed and fertiliser trader in 1921, the CP family firm had extended its business into animal feed trading and manufacturing by the 1950s, before shifting towards a new concept of vertical integration throughout the agro-industry business in the 1970s after Dhanin Chiarawanon, the son of the founder, took over the management of the company. The big takeoff of CP's business started in 1973, when the first joint venture with Arbor Acres was formed to establish a chicken-breeding business in Thailand. From then on, CP has aggressively moved into both backward and forward integration of its businesses; the backward integration included maize, soybean, and other raw materials for feedmill industries, whereas the forward integration included livestock, poultry farming, and aquaculture. While the vertical integration of its agro-industry business has been successfully implemented, CP also has expanded its business interests horizontally to include the petrochemical industry, telecommunications, etc. In line with its agro-industry business, CP has chosen to buy technical know-how or has formed business partnerships with foreign firms possessing

90 The company is a prominent American agro-industry group specialising in poultry and feed-grain business.
91 Meanwhile, more joint ventures with leading multinational firms, such as Mitsubishi for shrimp farming, Dekalb Agrisearch for the maize industry, Oscar Myer for food processing, and Meiji milk for milk production, have been added to increase CP's technology development.
the technologies required. By 1993, CP's business empire encompassed more than 200 subsidiaries in eight business areas and one special project, covering agro-industry, aquaculture, seed & fertiliser, international trade, wholesale & retail trade, petrochemicals, real estate, manufacturing, and the telephone project. It is believed that CP's investments in China and Indonesia, the two most extensive investments among CP's thirteen overseas destinations, are much larger than its combined investments in Thailand.

On the issue of management, CP is renowned for combining Western-style management with Asian-style family tradition. While the Chiarawanon family has largely monopolised the ownership and major decision-making authority of the business empire, three major professional impulses were introduced to make CP the successful international firm it has become: technological capability and personnel development; organisational management; and capital administration (Wattanachai, 1992). Purchasing of new technologies, joint ventures with overseas firms, and overseas education of personnel have been key strategies of CP's technological development. While Western-style recruitment of professionals of high calibre like Dr. Arj Taolanond and Dr. Thongchat Hongladarom is carried out, the traditional method of inviting government officials with extensive experience and connections to become associated with the firm has been maintained. With regard to its management organisation, decentralisation has been the mainstay of CP's success, especially since 1983, when all subsidiaries were

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92 For instance, joint ventures with SHV Holding of the Netherlands and Solvey of Belgium were established in the wholesaling and petrochemical industries respectively. Likewise, the technical know-how of US-based Southland Corporation and Japan-based Seiju were purchased to operate CP's retail business. See Charoen Pokphand, *Kreua charoen pokphand* (Bangkok: Charoen Pokphand, 1992).
93 Interview with Mr. Apaichon Watcharasin, CP Public Relations Director.
94 CP's investments in China may be as high as three times its investments in Thailand and the value of CP projects in Indonesia may surpass those in Thailand (Interview with a CP executive, January 1992). In addition, CP was not only the top foreign investor in China, but it was among the top three overseas firms regarded as the most friendly business groups in China. As a result, CP became a business partner with the Chinese government and has been given special privileges in many business activities in the country (Interview with Mr. Apaichon Watcharasin).
95 For example, CP's Chairman of the Board of Directors is ACM Siddhi Savetsila, former Deputy Prime Minister and Foreign Minister, and a senior consultant of CP is Gen. Pramote Thawornchan, former Army's Chief-of-Staff. While ACM Siddhi is well respected among the Thai elite and overseas, Gen. Pramote possesses high-technology expertise and is highly regarded by military personnel.
grouped into eight branches under the control of their own directors. Concerning
capital administration, the transformation of CP's relationship with Thai financial capital
can be observed from the fact that its capital management has been fashioned in line
with its organisational and personnel development. After depending initially on the
Bangkok Bank as its main source of capital between 1967-72, CP has since diversified
its funding sources to include other banks, and later has had a number of subsidiaries
listed on the stock markets in Thailand and abroad. As a result, CP has a high degree
of autonomy from domestic capital as it can easily secure funding from various sources.
Moreover, CP is now regarded as a main partner for overseas capital looking for joint
ventures in Thailand.

Although modern-style management has turned CP into a modern multinational
enterprise equivalent to a jao sua business, its traditional mode of extensive political
connections (sensai in Thai) is still in place. In the past, CP had operated such
connections in a cautious manner in order to avoid the undesirable political
consequences that might arise. It is well known that the initial success of CP's animal
feed business came from its relations with the Army's Cavalry Division. Over the years,
CP has further built up its connections with the military, political parties and senior
bureaucrats. Although perceived as politically influential because of its extensive
political connections and the sheer size of business, CP has not engaged itself or its
executives overtly in important political matters; no clear lines of strong political

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96 As its overseas investments had expanded substantially during the 1970s and 1980s, CP secured
more funding from financial institutions in the host country. Joint ventures with local business groups
as well as capital mobilisation from Hong Kong have been the mainstay of CP's financial strategy since
then.

97 Because many financial institutions have been approached to give loans to CP, as its financial record
is very good, with a capital to assets ratio at 1:1 or 1:2, many overseas firms expressed interests in
doing business with CP (Interview with Mr. Apaichon Watcharasin).

98 Besides Gen. Pramote Thawornchan, CP had been a strong supporter of Gen. Chavalit
Yongchaiyudh's 'Green Northeast' project since he was the Army Commander. CP's relationship with
the military academy's class five was reflected in Chirdchay Chiarawanon's marriage to Gen. Issarapong
Noonpakdee's niece. Moreover, whereas Gen. Suchinda Kraprayoon served as the Honorary Chairman
of the Dragon Hill and Country Club owned by the Chiarawanon family, Gen. Viroj Saengsanit and
Lt.Gen. Mongkol Amphornbhit were Vice Chairman of the project (Khao krong 5:39, May 1991).
Also, CP was believed to have cordial relationships with SAP, Prachakorn Thai, and Chart Thai Party
(Wattanachai, 1992).
support to any particular party have been established. Since Dhanin Chiarawanon was
called in to a meeting with Prime Minister Gen. Kriangsak Chamanon (1977-80),
following his apprehensions about CP's potential economic dominance, the corporation
has tried its best to keep a low profile in the political sphere. \(99\) Another reason limiting
CP's overt political activities derived from the nature of the agro-industry business,
which is CP's core business. As the government was already supporting agro-industry
business in general, there was little need to lobby for policies that had already favoured
the company. CP's existing political connections and lobbying, short of national political
manoeuvring, were already adequate to serve the firm's business interests.

Nonetheless, as CP began to expand into new business areas, there were certain
economic activities which required high-level political connections and ardent lobbying
to ensure business success.\(100\) The three-million-line telephone project was a case in
point, where the company's existing political connections were used in combination with
other special deals to secure business contracts. The huge value of the project and its
expected high rates of return were intended to open new horizons for CP's high-tech
communication business in time to catch up with the telecommunications boom across
Asia. CP's concept of telecommunications business has been somewhat similar to the
logic of systematic integration applied in agro-industry, as demonstrated in Dhanin
Chiarawanon's vision of the future:

Since I have been in business, I've found that no business is better than
telephones because the investments get cheaper all the time as a result of
more advanced technology....Telephone business is a high-tech electronics
industry in which a technological breakthrough in equipment technology will
be achieved every three years, resulting in smaller and more efficient
equipment. Therefore, smaller but more powerful switching can replace the
old ones easily. The better capacity and more calls there are, the more
revenues accrue....In the future we also will expand into image and data
communication through telephones. Fibre optic cable can handle voice,
data, and image. Moreover, in the future we will not limit ourselves merely
to telephone operations, but also to telephone equipment manufacturing,

\(99\) Interview with Mr. Apaichon Watcharasin.
\(100\) As an example, military participation in a resort developed by the Chiarawanon family was
designed to protect alleged illegal encroachment of a national forest reserve.
including both telephone sets and mobile telephones to be sold worldwide. We will apply the concept of full integration into telephone business... Soon our telephone business will be as successful as the poultry business or better, as this business is the best as far as I have studied. (Khao krong 5:39, May 1991)

Because of the high stakes and high profits expected, CP abandoned its former restraint and used all its political resources in combination with its traditional political connections and modern-style business management. Technically, CP depended on British Telecom to develop the project during the initial stages, and it later forged a business partnership with Nynex to implement the project. Its political strategy was to lobby all the parties concerned from low-level committees up to top-level politicians. It was the involvement of many levels of government officials and politicians in the project that attracted public attention to CP's close relationship with the state apparatus. As political interference caused delays in the project, rumours about political corruption grew to such an extent that Chatichai was forced to reshuffle his cabinet to improve the government's reputation. As the image of Chatichai and his cabinet plummeted, its conflicts with the military over military transfers finally triggered a coup on 24 February 1991, a few days before the telephone contract was to be signed.101

C. Bureaucratic Corruption and Military-Technocrat Confrontation

The later development of the politics of the telephone project was marked by conflicts and competition between the military, led by the National Peace Keeping Council (NPKC), and the businessmen-technocrats, led by Prime Minister Anand Panyarachun, to take control over the telecommunications policy process. On the one hand, the military tried to regain its domination of state telecommunications agencies and re-establish the network of bureaucratic corruption. On the other hand, the technocrats moved to review the telephone project in order to prevent a future private monopoly and to check the restoration of power of the military which they associated with bureaucratic corruption.

101 The major reason claimed to be the cause of the coup was rampant corruption by the cabinet on public projects, particularly the telephone project.
In order to revise the draft telephone contract prepared by the Chatichai government, Anand and the technocrats formed an alliance to withstand the pressure from both CP and the NPKC, which enjoyed close relationships with the conglomerate. Since Nukul Prachuabmoh was well known as an honest technocrat of high calibre, as demonstrated during his term as Governor of the Bank of Thailand (BOT),\textsuperscript{102} he was instructed to investigate the telephone project and seek a means of avoiding any private monopoly over the telephone network, and also of minimising the damage caused by delays to the project. During the evaluation process, Pisit Leeatam, Director of the BOT Governor's Office, was summoned to assist Nukul in the review of the project. At the same time Nukul brought many reform-minded technocrats into the TOT board to counterbalance the former interests represented in the board.\textsuperscript{103} While the technocrats attempted to revamp the TOT board, the military similarly showed its intention to take control of the TOT, claiming that its presence in the board would curb corruption in the organisation. As a result of strong military pressures, Gen. Issarapong Noonpakdee, the Deputy Army Commander, was given the top position of TOT board Chairman.

Conflicts between the technocrats and the NPKC came into view as soon as the review of the telephone project commenced. From the start, Nukul refused to appoint a military figure to head the review committee, as proposed by the NPKC, but instead gave this position to a technocrat from the Ministry of Finance.\textsuperscript{104} Because of escalating conflicts between Nukul and the military, the committee, which comprised roughly an equal number of both military and civilian representatives, could not make much progress. As a result, Prime Minister Anand decided to set up another committee headed by Deputy Prime Minister Snoh Unakul to make an evaluation of the old draft.

\textsuperscript{102} Nukul stood against political interference to such an extent that he once rejected pressure from the Minister of Finance to implement a monetary policy. As a consequence, Nukul was removed from the Governorship of the Bank, and he thus resigned from the public service shortly after.

\textsuperscript{103} The technocrats included Pisit Lee-atam, Roungroj Sriprasertsuk, Savit Bhotivihok, and Somchai Ruechupan. The last two persons were Director of the Eastern Seaboard Development Office and Deputy Director of the Fiscal Policy Office.

\textsuperscript{104} Gen. Chatchom Kanlong was nominated by the NPKC to head the committee, but Nukul proposed M.R. Jatumongkol Sonakul, Director General of the Department of Comptroller General.
contract and give recommendations for further government action. Meanwhile, the
World Bank was asked to make an urgent study of the project in parallel with another
study by Pisit Leeatam, Nukul's aide, commissioned by Prime Minister Anand. The
Anand cabinet made it clear that seven major principles must be fulfilled in the review of
the project and in its new agreement with CP. Included among the main points were
prevention of any private monopoly in the telephone network and a fair revenue-sharing
arrangement between the state and business.105

Nukul's strict adherence to the seven-point guideline in the review of the
contract and his tough negotiations with CP brought him and his fellow technocrats into
head-to-head conflict with the military. Gen. Viroj Saengsanit, a key NPKC figure and
Deputy Minister of Transport and Communications, was dissatisfied with Nukul's
intervention in TOT affairs, since it was under his control, and along with Nukul's
efforts to reduce his role in the review of the telephone project. The conflict intensified
as key military figures including Army Commander Gen. Suchinda Kraprayoon, Deputy
Army Commander Gen. Issarapong Noonpakdee, and Gen. Viroj Saengsanit strongly
criticised Nukul and the government over their handling of the telephone project. Hence
Prime Minster Anand personally himself decided to step in to calm down the political
crisis by heading the negotiation team. In effect, the committee represented a
compromise between two competing forces, the military under the spearhead of NPKC,
and the technocrats under the leadership of Anand.106

In order to fulfil the seven-point conditions laid down by the government in the
revision of the draft contract, Anand used the reports completed by Pisit and Deputy
Prime Minister Snoh as well as the World Bank's study as bargaining chips in

105 The seven principles are: first, the people must receive good services at reasonable prices; second,
there must be no legal and de facto monopoly, either economically or technologically; third, the
government must receive a fair share of revenues; fourth, there must be real investment by an
experienced and creditable company; fifth, investors must shoulder the risks involved; sixth, the
government would provide an exclusivity period to the investor for an exact period; seven, there must
be no restrictions on the government's future expansion of the network (Cabinet Resolution, June 1991).
negotiations with CP and the military. Interestingly, all the reports strongly opposed the old draft contract and recommended its substantial revision, ranging from abolition of the contract to splitting the project into at least two zones to be contracted to more than one operator. The major points of Snoh's report included rejection of CP's legal qualifications, emphasis on the TOT's long term disadvantages, and concern over CP's monopoly of telecommunications infrastructure. This report strongly recommended that the government abolish the project completely in order to prevent a private monopoly of telephone infrastructure in Thailand (Appendix 1). This radical but most influential report represented the prevailing views of the technocrats, including those who served in the Anand cabinet. The NESDB technocrats, for example, suffered mounting frustration because a project of this importance was never submitted to them for study before a decision was made. Sharing this view, Pisit Leeatam added, "The telephone case reflects the absence of the technocrats' involvement. It was a joint effort made by politicians and a private operator. This was a failure to protect state and public interests."

Short of suggesting that the government overturn the whole project altogether, the World Bank report completed in May 1991 noted that the proposed project was "a high risk one that is not the most advantageous one for the public or the Royal Thai Government." The report attacked many weaknesses of the project and the old draft contract, ranging from the feasibility of the project to the potential private monopoly. This report together with Snoh's study enhanced the leverage of Anand and Nukul vis-a-vis the military and their ability to attract better deals from CP. Symbolically, because of the neutrality of the World Bank mission, the report publicly helped create a neutral

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107 Interview with Ms. Visudsri Jaiphakdee, Chief of Communications Projects, the NESDB.
108 Phujad karn (monthly), June 1991, p. 30
109 In the World Bank paper (1991:6) "Because the BTO scheme is proposed for a 25 year period, TOT would lose much of the control of the new assets for the same period. Therefore, this BTO scheme is in many ways a de facto privatisation that will leave TOT with control over a minority of the assets and, probably, the least qualified staff. It is important to note, therefore, that the scheme would mean that the Royal Thai Government would lose the potentially enormous returns that would result if what is a de facto privatization were handled differently by first modernizing and increasing the efficiency of TOT and subsequently selling a part of the enterprise."
image for the Anand government, as opposed to the military's open support for CP. Whereas Snoh's report recommended the abolition of the CP project, the World Bank study provided alternatives which included turning the project into a BOT scheme (instead of BTO) and privatisation of the TOT. In either case, substantial revisions of the CP contract were required if the BTO scheme was to be maintained. Many recommendations identical to those in Snoh's report were later put into practice by the government, including the shortening of the exclusivity period, separating the project into at least two geographical packages with different investor groups, and revamping the revenue-sharing formula (see details in Appendix 2).

The negotiations between the committee headed by Anand and CP were tough, time-consuming, and highly political. During the period 4-17 June 1991, six meetings were held to resolve the differences between the two parties. Before the conclusion of the six-round negotiations, Anand was said to be under such pressure from the NPKC that he threatened to resign from the Premiership. At the height of his popularity and the military's loss of legitimacy, Anand's political moves were successful in keeping the military at bay. After Gen. Sundhom Kongsompong (the NPKC leader) intervened to avoid Anand's resignation, a compromise was reached between Anand and the NPKC whereby CP was granted the two-million-line telephone contract under the terms laid down by the committee.110

D. The Technocrats and Their Reversal of Fortune

The conclusion of the two-million-line telephone contract with CP, however, did not bring conflict between the military and the technocrats to an end, since competition between the two forces to gain control over telecommunications politics continued; the former aimed to tap the economic rents and corruption revenues from the expanding telecommunications infrastructure, while the latter were intent upon carrying out the liberalisation program. As soon as the one-million-line provincial telephone project was

110 Interview with a foreign financial analyst of a financial security firm, 11 January 1993. See the seven points of agreement between the committee and CP in Cabinet Resolution, 18 June 1991.
on the agenda, political in-fighting between the two powers resumed. Because the
March 1992 election was close, Anand and Nukul made it clear that the deal must be
concluded within the government's term.

Ironically, the TOT board under Gen. Issarapong and the TOT bureaucrats
serving on the selection committee defied the government's order and deliberately
postponed their decision until beyond the term of the government. As a result, the
confrontation between Nukul's allies and military proxies within the TOT board once
again escalated into a national conflict. Because of the stalemate, Nukul once again
referred the issue to Anand to countermand the delays caused by TOT interests.
Nukul's letter to Anand said that the TOT was "not enthusiastic about speeding up
consideration of the four proposals" and that CP was expected to join a prospective
candidate to bid for the project. As a result, the TOT board was suspected of trying to
delay the project until the next government, in order to open an opportunity specifically
for the business group. Moreover, a reliable source confirmed that the other candidate's
proposal was even worse than CP's previous offer. Hence, the government risked being
blamed for the damage and delay caused by the review of the three-million-line project.
In the final analysis, Nukul foresaw that misconduct could happen "by cooperation from
TOT officials at various levels" while honest board members "will be removed at a
certain time".

In response to the delaying tactics of the TOT board, Anand brought the issue to
the attention of both the cabinet and the NPKC, the two most powerful political bodies
at that time. In a swift move to pressure the NPKC to resolve the problem, a memo was
sent directly from Anand to both the NPKC chairman and the TOT Chairman saying:

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111 During the second week of March, while the technocrats represented in the TOT board tried to
accelerate the bidding process by comparing the financial proposals first, other military-backed board
members insisted that more time was needed to study the technical qualifications of all the proposals;
the three technocrats were Roungroj, Pisit and Somchai; the military allies included Gen. Issarapong,
1) The TOT Managing Director did not follow his duty, lacked responsibility, and caused the delay in the selection process. As a result, the bidding process for the one-million-line telephone project cannot be finished within the terms of this government. 2) It is essential for both the government and the NPKC to regard this as an urgent issue which must be accomplished before 22 March 1992 (the end of government term). 3) I have spoken to Gen. Issarapong (TOT Chairman) and Gen. Chatchom (TOT board member) and both agree to solve the problem. 4) I am afraid that this issue is a complex one involving irregular deals. Therefore, I would like the consideration of technical proposals and administrative processes to end as soon as possible and financial considerations can commence next week. 5) The reputation of the government and the NPKC, and the interests of the state and the people, depend on transparency, honesty, and justice. 

To boost Anand’s political weight, the cabinet further introduced measures to ensure justice as far as possible at the end of the government’s term. Following a cabinet decision, the TOT was ordered to speed up its consideration on the technical proposals for completion within 30 days. In the event that any bid did not meet the technical or management specifications, all weaknesses were to be pointed out clearly, and the tenderer was to be allowed to provide an explanation. Also, an appeal committee comprising academics and non-TOT officials was to be set up to ensure fairness and transparency. Despite the cabinet’s efforts to contain corruption in the telephone project, however, it seems that the technocrats lost their political leverage when the elections took place in March 1992, as military-backed parties won the majority in parliament and Gen. Suchinda was chosen as the Prime Minister. Another major setback to Anand’s policy was also imminent when Gen. Issarapong was given the portfolio of Interior Minister while continuing as TOT Chairman.

Yet other twists and turns in Thai politics occurred again within a few months after the election, bringing the technocrats back into national and telecommunications politics. After Gen. Suchinda assumed the Premiership, the mass protests against him by pro-democracy groups, which had been previously pressuring the government for constitutional amendments, now came together to demand an elected Prime Minister, so

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113 Prime Minister Anand’s note attached to Nukul’s report on the progress of the telephone project, dated 11 March 1992.
that Suchinda had to resign. Not only was his government perceived as a mere proxy for the military, but Suchinda himself had also lost credit in the public's eyes because he broke his promise that he would never become Prime Minister. As he and his cabinet were unmoved by the public demands and extensive media coverage of the daily protests, more people were drawn into the streets of Bangkok to demonstrate, driven by NGO campaigns and rallies by the pro-democracy parties, particularly the Palang Dharma and Democrats. As the political crisis developed, a much larger crowd, estimated at half a million people embracing all social and economic strata, occupied many of the roads in the old city areas of Bangkok. Confrontation between the pro-democracy protesters and the Suchinda regime reached its zenith on 18 May 1992 when the crowd, led by Palang Dharma Party Leader Chamlong Srimuang, stepped up its political pressure by marching on the parliament. As a result, a violent military crackdown occurred, giving rise to many casualties and further riots and protests in various parts of Bangkok and other cities. The King then intervened, and a compromise was reached whereby Gen. Suchinda resigned from the government and an amnesty was granted to all the parties concerned. In order to ensure political and economic stability, Anand Panyarachun was hand-picked by the King to head an interim government for the second time until further elections could be held. The return of another Anand-led government consequently brought the technocrats back into power, most of whom had served in his previous cabinet.

The massacre which occurred in May 1992 and the subsequent political changes significantly affected the outcome of the financial negotiations over the one-million-line telephone project during that month. It was reported that the Chairman of the financial committee tried to prevent any opportunity to swap the financial envelopes, believed to have occurred previously in the three-million-line project, by using chains locked with three keys tied around the box which contained the envelopes.115 As a result, the outcome of this bidding was remarkably different from the original telephone project.

115 Interview with Mr. Sarin Skulratana, Director of the International Communications Division and former Nukul's aide, and Mr. Yingyod Manchuvisith.
TT&T, a consortium jointly owned by Jasmine (25 per cent), Loxley (25 per cent), and Ital Thai (20 per cent), and others was selected for the contract instead of CP, with a revenue-sharing offer of 43.1 per cent (compared to CP's previous offer of 22 per cent). In comparison, the new deal with TT&T would increase state revenues as much as 200 billion baht over the 25-year concession period. The revised two-million-line telephone contract and the new one-million-line deal would together increase state revenues by 270 billion baht throughout the 25-year period. Significantly, the financial committee's selection of TT&T coincided with the political changes in which the military was fast losing its power and legitimacy. Therefore, the TOT board unquestioningly approved the decision by the financial committee to award the contract to TT&T. The project later came to be regarded by the media as one of the most transparent bidding procedures Thailand had ever had. In his speech during the signing ceremony for the one-million-line project on 2 July 1992, Anand directly criticised the political corruption previously involved with the project as follows:

This figure (the increased revenue of 270 billion baht) should be remembered by all Thais and serve as a caution that some state officials, who work for their own benefits, assisted certain business groups to win the concessions in an obscure and dishonest manner....While state officials who were used by the private sector benefited very little in comparison with damage done to the country, private business would have benefited greatly from the plundering and exploitation that would have occurred if there had not been this public awareness.

Because the political balance of power swung in favour of the technocrats after the collapse of military dominance, Anand and Nukul were able to seize an opportunity to further curtail the sources of military power. Key military figures, including Gen. Issarapong, Gen. Viroj and others, were transferred to inactive positions and replaced by a combination of senior officials from other military factions. As a result, military leaders from various academy classes were given a share in the power balance within the military establishment. On the financial side, Anand replaced leading military officials dominating the major state enterprises by senior technocrats, mainly from the Ministry

of Finance and the Bank of Thailand. Moreover, with military power now in decline, Nukul continued his investigations into wrongdoing in relation to the previous three-million-line telephone project. Evidence pertaining to the alleged misconduct of selection committee members was thus submitted to the Counter Corruption Commission (CCC).

**Conclusion**

Although the several case studies discussed above were rather diverse and each was conditioned by its own specific circumstances, some common patterns can still be discerned behind the policy making involved in them. There is a revealing pattern of development in the way the privatisation of telecommunications has been implemented since the mid-1980s. The seven case studies demonstrated ongoing struggles among major players and interests, including the military, political parties, business, technocrats, and labour (to a lesser extent) in playing key roles in the politics of telecommunications from the mid-1980s onward. While the first group of our case studies showed the dominant power of the military in telecommunications politics and its involvement in bureaucratic corruption in relation to the privatisation program, the second group demonstrated the rise of non-bureaucratic interests, particularly the political parties and business firms, as major players in telecommunications policy-making under the late Prem government, Chatichai, and Chuan. The competition between the military and other interests represented in both groups was clearly apparent in the case of the three-million-line telephone project, which tied telecommunications politics closely to national politics. In this case, telecommunications privatisation illustrated two kinds of political competition in relation to the issues of privatisation and corruption: the competition between the military and political parties (supported by

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117 Besides Roungroj, who took over the TOT chairmanship, Permanent Secretary of the Ministry of Finance Bandit Bunyapana and former Governor of the Bank of Thailand Chavalit Thanachanan were also appointed to be Thai Airways President and CAT Chairman respectively.

business firms and certain groups of technocrats); and the competition between the military and the technocrats.

The telephone directory project was a classic example of the old kind of bureaucratic politics in which the military was powerful enough to force the TOT and the government to comply with its demands. The regulation of publication of the directory indicated that military control of the telecommunications sector was likely to lead to increasing regulation rather than deregulation. This project, marked by bureaucratic corruption involving the military, the TOT bureaucrats, and foreign business, suggested that the old bureaucratic polity approach to an explanation of telecommunications politics seemed to be relevant until the mid-1980s, as the military was still the dominant force in politics. The successes of business firms during this time were determined significantly by military connections and the patronage system connecting business with the military and the TOT bureaucrats.

The second group of cases reflected the new era of telecommunications politics, in which local business firms replaced foreign operators as government contractors, while politicians and the technocrats began to replace the military as key decision-makers. The progress from the former to the latter indicates the beginning of a transformation of the bureaucratic polity into a more democratic system. The influential roles of the three major interests were increasing greatly toward the end of the Prem regime and became even more apparent under Chatichai and Chuan. Since these governments were based on party politics, the roles of the three major interests in telecommunications and their relative power seemed to depend on the nature of the political regime and the strength of the parties represented in the government. On the one hand, the Chatichai government, which combined many provincial-based or jao pho-style parties, reflected the growing power of politicians in national and telecommunications politics. The political interference linked with telecommunications privatisation (in the paging and mobile phone projects), political corruption (in data communication services), and the suwannaphumi idea (in the DPZ), was marked by the
dominant role of business-politicians, while technocrats remained relatively junior partners.

On the other hand, the Chuan government, which consisted mainly of urban-based or jao sua-style parties, showed a more balanced power relationship among politicians, business, and technocrats. Although political corruption remained an issue (e.g. in the case of the international gateway project), political checks and balances between jao sua and jao pho parties on telecommunications privatisation were a new development. As the government parties tended to rely more on the technocrats in the pursuit of telecommunications deregulation, political interference, frequently practiced under Chatichai, did not occur as often under Chuan in the carrying out of BTO projects. Labour seemed to re-emerge again as a significant element in telecommunications politics; it proved able to act as a potential watchdog against political corruption and interference.

The three-million-line telephone concession, which was later broken into two projects, provides a good illustration of the mechanics of telecommunications politics during the period of party-based politics under Chatichai and bureaucratic dominance under the first and second Anand regime. The powerful role of politicians, in collaboration with the MOTC technocrats in support of local business, was clearly seen under Chatichai when this coalition of interest groups took over telecommunications policy-making and introduced the telephone project. The first round of competition between the coalition and the military resulted in the military losing control of state telecommunications agencies, and its influence over bureaucratic corruption was superseded by a new system of political corruption created by the coalition. This case was compatible with telecommunications politics discussed in our case studies in the second group, highlighting the roles of business, political parties and the technocrats. State-business relations in this particular case, however, displayed a more conspicuous business influence over telecommunications privatisation linked with political corruption.
The 1991 coup, followed by the return of bureaucratic control over national and telecommunications policy-making, showed that competition between the parties' coalition and the bureaucracy (the military in particular) had endured. However, as the head of the new government and most cabinet members were not military figures, it could not simply be assumed that Thailand was still an old-style bureaucratic polity. Moreover, as the review of the telephone project was gaining pace, conflicts between the military and the technocratic government developed. This confrontation was, instead, a quite new phenomenon suggesting that the supremacy of the military was over, despite its still powerful role at the time. While the military was trying to restore its political dominance and control over bureaucratic corruption in the same way as it had done during the pre-Chatichai period, the government of technocrats-turned-businessmen headed by Anand created instead a broad-based coalition promoting economic liberalisation, attracting support from urban middle class and Bangkok-based business. The political alignment in this case was quite different from that in the case of the telephone directory project. Interestingly, the influence of big business groups like CP was not great under the Anand government, which consisted of many technocrat-businessmen, despite its success in securing support from the military. Thus it seems that class-based theories do not provide an explanation of the Anand cabinet's opposition to the CP project, and even less can it be assumed that the government was simply being manipulated by big business. The Anand government cannot be seen purely as a group of businessmen-bureaucrats working to further business or bureaucratic interests, as class theories or statist theories would seek to explain it. The competition between the military and the technocrats represented not only an internal conflict within the bureaucracy, but also a greater conflict between the old bureaucratic element and the pro-liberalisation coalition for control over telecommunications politics. In this sense, the dominance of the technocrats under the second Anand government is better interpreted as the victory of the pro-liberalisation coalition rather than the triumph of technocratic control over the Thai state.
Chapter Seven: Conclusion

The changing power relations between business and the state at both the sectoral level of telecommunications politics and the broader level of the national political system were strikingly symbolised in 1995 when Chamlong, the ascetic and charismatic leader of the Palang Dharma Party, the party most committed hitherto to clean politics and administration, was replaced by Thaksin Shinnawatra, founder and former chairman of Shinnawatra group, a month before the national election. In a similar development, UCOM (another large private telecommunications group) sent three senior executives of the company, including the younger brother of Boonchai Benjarongkul, UCOM President, to join Parliamentary candidacies in three political parties taking part in the same election.¹ When we compare the stated aim of these two men to act as watchdogs against corruption and to push for further government policy reforms with the kind of intense political lobbying that had occurred less than a decade ago by telecommunications firms vying to establish political patronage and connections with senior bureaucrats in state telecommunications agencies, we can see that a quantum leap towards greater political maturity had taken place in the meantime. Yet capital accumulation by the telecommunications industry and its political maturation were not natural processes occurring autonomously, but were made possible in part by the expansion of political space within the natural political system and in part by the telecommunications reforms brought about by the political parties and the technocrats. The telecommunications privatisation and deregulation, pursued in common by politicians, the technocrats, and businessmen, have significantly altered telecommunications politics and possibly Thailand's future political landscape.

7.1 Towards an Analysis of the 'Liberalisation Coalition'

This study has looked at the changing state-society relationship in Thailand during the 1980s and early 1990s by focusing on the politics of the telecommunications industry, which can here be regarded as a microcosm of Thailand's broader political economy. On the one hand, its dual political character embraces both the old politics dominated by the military and other bureaucratic interests, and the new politics reflecting the rise of private capital and the changing relationships between business, political parties, and different arms of the bureaucracy. On the other hand, the increasing importance of telecommunications infrastructure in the national economy, along with its links to the regional and global economies in relation to technological development, regulatory reforms, and emerging ideas like liberalisation and regional leadership, have made this sector fundamental to Thailand's recent economic growth as well as to its future success. In this study, the correlations between regime changes (since the Prem regime), manifested in the expansion and contraction of political space throughout the period, and the changing state-society relationship in telecommunications politics are examined.

This study argues not only that the bureaucracy no longer dominates the politics of telecommunications as it used to, but also that neither business nor political parties alone can lay claim to full control over this key sector of the economy. On the contrary, telecommunications politics has been marked by competition between pro-reform and anti-reform coalitions, each of which has been shaped by the shifting ideas and changing positions of major political players and interests, including the military, state telecommunications enterprises, labour, the technocrats, business, and political parties. Despite the fact that political space was expanding and contracting in accordance with changes in the political regimes, power relations and prevalent ideas, the longer-term trend in telecommunications politics has been towards an increase in the strength of the pro-reform coalition, comprising mainly the political parties, business, and the technocrats, in the pursuit of more liberalised policies.
Conflicts as well as cooperation have been of equal importance in the study of state-society relations. It is not necessarily the case that state and non-state actors are oriented towards conflicts to achieve political dominance, as suggested by many pluralist writings such as those of Pasuk Phongpaichit. Nor are they engaged mainly in corporatist arrangements or cooperation, as argued by Anek and Hawes respectively. Although the rise of political parties has led to increasing conflicts with the military, resulting in the removal of military figures from the TOT and CAT boards (Chapter Three) and the counterattack on the parties by the military in the form of the 1991 coup (Chapter Four), it is too simple to suggest that telecommunications politics has been mainly a struggle between parties or business against the bureaucracy and military.

As this study shows, different arms of the bureaucracy may form coalitions with non-state interests in opposition to other bureaucratic agencies, as demonstrated by the active engagement of the NESDB technocrats in the pro-reform coalition pressuring the military to yield to the privatisation program. Put simply, conflicts and cooperation must be seen in the context of the shifting coalitions and changing positions of major participants and their interests over the issues of privatisation and liberalisation. I agree with Hawes (1993: 659-660) that during a transitional period "the state and social forces find themselves in shifting patterns of interdependence", and there is in contemporary Thailand "the coexistence of a relatively strong state and the growing influence of society-based actors", as demonstrated by the pro-reform coalition. But a broader picture which includes both the pro-reform and the anti-reform coalitions also reveals the conflicts and competition which occurred between state and non-state actors in many of our case studies. For example, the pro-privatisation coalition consisting of political parties, business and the technocrats overcame strong bureaucratic resistance by forcing the military and the TOT and CAT to carry out the privatisation of paging services and mobile phone and data communications projects (Chapter Six).
The pluralism of Thai politics has been clearly revealed in the interactions among many actors and interests over issues ranging from regulatory reforms to political corruption and telecommunications privatisation. Although frequent changes in political regimes and the oscillations between greater and less political space have greatly affected the power relations among these many actors, the most influential forces have ultimately proved to be in most cases the political parties, business and the technocrats. Apart from their success in bringing about many privatisation programs under Chatichai, these three major interests also played the most important role in telecommunications decision-making processes and the liberalisation policy afterwards. Whereas the technocrats were relatively powerful under Prem and much less so under Chatichai, the Chuan government witnessed the emergence of roughly equal partnership among the three forces. Both the liberalisation policy under Anand and Chuan, which superseded the past policy of privatisation under Prem and Chatichai, and the concurrent idea of regional leadership (derived from the concept of suwannaphumi) required this kind of partnership, which I term the 'liberalisation coalition', to put those ideas into practice. Unlike the 'growth coalitions' seen in some Northeast Asian economies which have generally implied a bureaucrat-centred coalition, the 'liberalisation coalition' in Thailand suggests a more equal relationship between the several elements within the coalition.

7.2 Telecommunications Politics: Implications for the Analysis of the Thai Political System

In just one decade (1985-95), the politics of telecommunications has seen a military-dominated industry give way to an emerging 'liberalisation coalition' centred around political parties, business, and technocrats. This development is by no means a smooth continuum progressing along a pre-determined path but is the result of political strife between conservative and progressive elements of Thai politics. Although this political contest has far from ended, since the conservative elements led by the military were still able to assert their influence occasionally when political crises arose, those short-lived assertions of political power were the exception rather than the rule, as direct political domination by the army and the bureaucracy over Thai politics could no longer be
sustained. Looking at this struggle in a longer-term political perspective, the Thai political system has moved away from a Riggsian bureaucratic polity towards a pluralist society led by the expanding 'liberalisation coalition'.

Although the technocrats from various state agencies such as the NESDB and the MOTC have maintained important roles in telecommunications policy-making throughout the period, Riggsian bureaucratic-polity models do not adequately explain all the substantial changes that have taken place. For instance, they would not account for the dramatic rise of local business groups such as Shinnawatra and UCOM from being mere clients of bureaucratic patrons into partners of the state. Despite their narrowly-based interests and low-level organisation, some business firms were able to turn state patronages to their political advantage, disputing the characterisation of these firms as 'pariah entrepreneurs' by Riggs and later statist scholars such as Girling and Trakoon. Moreover, whereas all statist scholars (except Chai-Anan) have perceived the bureaucracy as a monolith aiming to expand its political power and bureaucratic control, this study suggests that there were always competing interests within the bureaucracy; the conservative elements aimed to maintain bureaucratic control of politics while the more progressive elements attempted to promote economic liberalisation and the role of business.

This study shows that the technocratic arms of the bureaucracy, the more progressive elements, have been influential in the liberalisation of the telecommunications industry. In this respect, Chai-Anan's notion of the three dimensional state, which acknowledges the role of technocrats in support of economic liberalisation, reinforces the picture emerging from this study. Yet Chai-Anan's picture of a technocratic state cannot adequately explain the political competition and conflicts between the military and the technocrats, nor can it provide reasons for why the technocrats put forward regulatory reforms that would reduce their own bureaucratic power – even before the business firms started to press their demands. These phenomena do not fit comfortably with Chai-Anan's assertion (1990a: 185-186) that "political and administrative structures
such as the military and the bureaucracy have been able to grow alongside the burgeoning private sector." Because most statist theories neglect the role of ideas (e.g. suwannaphumi) as one of the main factors shaping the behaviour of bureaucratic as well as non-bureaucratic interests, they cannot come to terms with the technocrats' proactive liberalisation, which sometimes comes at the expense of their own power.

The increasing trend towards a strategic partnership between political parties, business and technocrats associated with the 'liberalisation coalition' is by no means the same as the triple alliance model put forward by neo-dependency scholars such as Patcharee, Chairat or Suehiro. For one thing, foreign capital does not play an important role in the coalition as it does in the triple alliance. In fact, local business has far outweighed foreign capital both in terms of economic presence and capital funding, despite the fact that it depends heavily on foreign technologies and supplies. That dependence does not translate into political influence for foreign companies, and the relationship between local and foreign business has been unequal, with the political weight tipped distinctly in favour of the former. In any case, the subsidiary role of foreign business, that of state capital, which was also seen as a major pillar of the triple alliance, has declined in importance as a result of extensive privatisation under the BTO schemes since the late 1980s.

Because of the dominant position of local capital, supported by the state, the class-based theories of scholars such as Krausak and Hewison may suggest that this development is more in line with their earlier analyses of capital accumulation in Thailand. The 'liberalisation coalition' has apparently tried to promote the local telecommunications industry and prevent the domination of large foreign groups, especially the Japanese (Chapters Three and Six). However, these class-based studies do not explain the fluctuating influence of business in relation to the changes of political regimes, or its shifting alliances with different state actors. For example, the direct involvement of business in telecommunications privatisation which had occurred under Chatichai was markedly reduced under Anand when the technocrats exerted their power
to establish greater transparency in the policy-making process (Chapter Four). Also, local telecommunications firms have gradually moved from the anti-reform coalition under Prem closer to the pro-reform coalition under Chatichai and Chuan (Chapters Three and Four), even at the risk of conflicts with the military. More importantly, big business firms like CP could not force the state, or in this particular case the Anand cabinet, to yield to its demand for the original draft contract on the three-million-line telephone project (Chapter Six). This case suggested a high degree of state autonomy (particularly the technocrats) from business pressure, contrary to the Kraisak and Hewison thesis of a state-business alliance. Moreover, apart from CP and Loxley (which was linked to the Thai Farmers Bank), there have been no other large business groups pursuing extensive telecommunications interests, despite the industry's huge profits. Most of the dominant telecommunications groups nowadays, which are still medium-scale operations compared to the big agglomeration of financial and industrial capital, only emerged in the 1980s. The fact that Thailand's largest conglomerates did not attempt to dominate one of the most profitable sectors of the economy, while smaller firms were left with room to grow rapidly in a relatively short time, suggests that the Thai economy is not always entirely under the control of large-scale capital.²

Although it may seem that the rise of political parties linked to big business under Chatichai and Chuan in national as well as telecommunications politics provides support for the view that "business is now in the process of entrenching its class rule" in line with a bourgeois polity (Hewison, 1992: 8), this argument is undermined by the nature of the relationship between parties and business which has not been based entirely on the class factor. Instead of joining hands to take control over the Thai state to reap benefits from economic domination, both large-scale capital in Bangkok and provincial business

² One of the major reasons why large-scale capital did not spread its wings into the telecommunications industry in Thailand was because it was a highly politicised industry, requiring a great deal of political lobbying which probably involved corruption. Because of the highly political nature of the industry and their concern with their public image, large firms were, in the past, reluctant to engage directly in this business, despite the tempting profits. Also, during the past decade, financial capital in Thailand has enjoyed rapid expansion and high growth to such an extent that its resources have been severely stretched, and it has been confronted with adjustment problems, such as personnel shortages and lack of experienced staff.
enterprises have seemed to go separate ways and to join different coalitions in pursuit of different agenda. While the jao sua preferred an alliance with urban-based parties and the technocrats to push for economic liberalisation, the jao pho were keen to establish connections with provincial-based parties in order to extend the scope for political patronage and political corruption. Therefore, neither the formation of the 'liberalisation coalition', nor the division between jao sua-jao pho business are determined fundamentally by their common bourgeois character. Once again, the policy factor (policy issues and ideas) contributes notably to the alignment of these major powers, bypassing their purely class interests.

In order to understand the politics of Thailand's economic policy-making, a liberal-pluralist approach needs to be adjusted to look beyond the institutional links between state and business interests. In telecommunications politics, the 'liberalisation coalition' was not created by the institutionalisation of business relationships with either political parties or bureaucratic agencies. Whereas Anek focused on the state-sponsored JPPCC as both the symbol and the means through which business could influence or shape economic policy-making, my study demonstrates that there are now many avenues by which business and the technocrats could put forward their privatisation and liberalisation proposals. Political parties, state enterprise boards, the MOTC, the Prime Minister or even his advisers, for example, have all provided channels of access through which the pro-reform agenda could be promoted. Because telecommunications firms were not organised into a powerful peak business association (only recently was the Telecommunications Association of Thailand established), the relationships between business firms and the technocrats and political parties in this industry were more informal and more diversified than state-business relationships through the JPPCC (as described by Anek) under Prem. Moreover, because of increasingly cross-cutting interests and forms of organisational representation among these three major powers since the Anand regime, it is more difficult to draw a clear line between business, the technocrats and the politicians. For example, most cabinet members under Anand were not only former technocrats engaged in state economic policy-making bodies but also
senior executives in large business conglomerates in Bangkok. Similarly, many technocrats and leading businessmen also joined Parliament and entered politics under the Chuan government.

Despite the increasingly blurred line of distinction between businessmen and politicians, however, and the fact that the liberalisation policy has gained growing support from most major interests, there has been growing polarisation between the semi-technocratic, urban-based parties promoting transparency and political checks and balances on the one hand and the rural-based parties advocating political interference and patronage on the other. Political competition between these two kinds of politics, close to Pasuk and Baker's idea of the jao sua-jao pho dichotomy, has intensified the cooperation among jao sua-style politicians, Bangkok-based businessmen and the technocrats, as demonstrated in the case of the international gateway project (Chapter Six). In this connection, the direct political participation in 1995 of Thaksin in the Palang Dharma and former Deputy Prime Minister Supachai Panitchpakdi in the Democrats, both of which have their major bases of support in Bangkok and the South, can be interpreted as part of the political response of jao sua businessmen-politicians and the technocrats in the pursuit of economic liberalisation and political reforms.

7.3 Future Trends in Thai Politics: From Institutional to Coalitional Conflicts

As Thailand has become a more complex and pluralistic society, the major issues in Thai politics are no longer limited to the relations between the bureaucracy versus the extra-bureaucratic forces or to the government-business relationship as they appeared prior to the 1980s. Political and bureaucratic reforms, social policy redress, economic liberalisation and legal amendments, for example, are now key issues dominating Thai politics, under the influence of many competing powers and interests, particularly political parties, business, technocrats, the military, the NGOs and the urban populace. While these major actors have their own particular interests and political agenda, they are increasingly drawn into political alignments centred around the issues mentioned;
some are in support of these reforms and some opposed to them. This dissertation finds that the 'liberalisation coalition’, which has developed into a strategic partnership combining political parties, business and technocrats, has now gained wide recognition and support from most major actors in the drive to undertake economic liberalisation.

The converging positions of many interests in favour of the liberalisation coalition does not necessarily mean that the old political rivalries between the military and political parties are entirely a thing of the past. On the contrary, conflicts between the bureaucracy and political parties and more intense competition between the jao sua and jao pho-style parties are likely to continue into the future, but within a context of contesting political coalitions rather than political organisations. Because the bureaucracy is still the most highly organised public institution, controlling information and setting up rules and regulations in most areas of society, it has remained influential despite its reduced role in the political system. Moreover, since political parties are not yet well established and their structures are still rudimentary, the bureaucracy remains a large political shadow hovering behind the parties whenever their popular support is shaken by political scandals or internal conflicts. But because political power is now shared among so many actors, with political parties now being the channels through which the interests of business firms, technocrats, some military elements, and others are represented, competition between the bureaucracy and parties is no longer narrowly constrained to a struggle between these two players, but has become more widely extended to other powers and interests as well. As the bureaucracy itself also consists of competing elements either promoting or opposing political and economic reforms, the ongoing rivalries between the military and the parties are becoming a matter of coalitional conflict between the progressive reformists and the more conservative interests, rather than merely institutional conflicts between two sides. Likewise, the emerging polarisation between the jao sua and jao pho parties also reflects the more progressive and conservative coalitions of interests on the issues of political and economic reforms.
As Thai politics is now experiencing growing demands for such reforms, the competition between these coalitions is likely to intensify – unless or until other major issues emerge that will restructure political alignment yet again (such as infrastructure problems or environmental issues). It seems that in the 1990s the pluralisation of Thai society and a new set of political realignments centred around these reform issues are steadily becoming the order of the day.
Appendix 1

Summary of the Major Drawbacks of the First Draft Contract with CP

1. The selection of CP did not follow the terms of reference (TOR) previously announced. The TOR was violated on many points as follows:
   - CP lacked qualifications and experience in the telecommunications area as required by the TOR.
   - The original aim of the bid was to have more than one operator, but CP was the only one selected.
   - TOR lacked details of criteria on how to make comparison of each proposal, while all proposals were based on different assumptions. Whereas most proposals were rejected because they asked for tax privileges, requests for such privileges were actually not prohibited by the TOR.
   - While the committee understood that CP Telecom was a joint venture between CP and the British Telecom (BT), BT was merely a consultant hired by CP for preparing the project. There was no agreement or commitment between the two business groups.

2. There was no clear description of CP's responsibility, but CP was allowed to adjust its plans any time whereas the state had no clear evaluation guidelines. As a result, it is uncertain when the company will implement its project. There are questions of what service, where, and when consumers can expect.

3. CP avoided the risks which it should have shouldered by having many reservations and exceptions, including circumstances beyond responsibility of TOT, such as strikes, economic difficulties, legal amendments, appropriation, price re-structuring, new ratings, less-than-expected consumers, and government policies which might affect CP's business.

4. TOT's burden in supporting CP was too great and unlimited. Since TOT was obliged to perform three major functions: service CP's operation and provide the necessary information, jointly invest with CP to adjust its telephone systems to be compatible to CP's, and take care of maintenance services, it was possible that CP may end up incurring a loss because the costs involved could not be estimated.

5. As TOT's expenses were to commence before revenues were earned, TOT ran a high risk of losses, as its revenues were uncertain, due to the many conditions attached.

6. CP's revenue-sharing arrangement was unacceptable and unfair because:
   - CP's upward adjustment of revenue-sharing from 6 per cent to 16 and 22 per cent for its Bangkok and provincial projects was based on its increased estimates of revenues per telephone line, whereas TOT was obligated to give more benefits to CP, including lifting some conditions. For instance, CP was allowed to include revenues from international calls in its formula calculation, and it was able to expand into district-level areas while TOT would shift its expansion into sub-district and village-level communities.
TOT's and CP's revenue-sharing formulae were based on different grounds. While TOT's revenue was to be calculated from real income before expenses plus value of assets, CP's revenue was the net income after expenses. Also, CP's calculation had a high cost estimate, but low revenue expected as it set the same telephone rate for a 25-year period.

7. CP would monopolise telephone services in Thailand for the next 25 years because:
   - TOT would not be able to connect the telephone networks of other operators to CP's. It was likely that an access fee to CP's lines would be introduced. This monopoly was contrary to the BTO criteria.
   - Because of state protection to CP, TOT was not able to expand more telephone lines unless CP allowed it to do so. If CP did not agree, TOT must wait until CP had sold out all of its telephone lines before an expansion could take place.

8. The decision-making power of the project would be under the influence of CP. Because CP would provide funding while serving as the secretariat of the coordination committee, it would be easily able to influence the decisions of the committee. The committee's responsibility included annual planning, budgeting, rating, investment planning, and transfer of ownership.

9. CP was allowed to revise the contract and was to be the first priority in any telephone expansion plans and the provision of value-added services. There was an opening for CP to renegotiate on the issues of installation, revenue-sharing, etc. For example, in future ISDN services, CP was given the sole right if it wanted, meanwhile, it would be the first operator to be consulted when other value-added services were to be introduced.

10. What would happen was that the government would not own the telephone system according to BTO scheme, but was instead committed to bear burdens that would outweigh the benefits. In fact, there would be two telephone systems in one area working on different conditions. TOT would have no control of its assets, but it would have to bear all responsibility, including letting CP use its land and buildings.

11. The contract would lead to the transfer of a state monopoly to a private monopoly, as CP would control the use of TOT's property and assets as well as the decision-making power in the project. On the contrary, TOT was committed to provide services such as revenue collection, and customer and maintenance services for CP throughout the 25-year period.

In its recommendations for further action, the report urged the government to privatise and deregulate TOT by three means: first, to separate TOT into zones and call biddings; second, maintain TOT's coordination function and long-distance operation; and third, to set up a regulatory commission to represent the combined interests of consumers, private operators, and TOT. However, before the plan was implemented, urgent tasks must be carried out to increase the number of telephone connections from 200,000 each year to 700,000 annually.

Appendix 2

Summary of the World Bank Report on the Telephone Project

The World Bank mission headed by A. Shanmugarajah concluded that in case the Thai government decide to go ahead with the BTO concession, major revisions of the contract are recommended as follows:

1. Limit the revenue-sharing period to 10 years

2. Limit the BTO project to a size that would be manageable and financiable by investors - probably 300,000 lines each

3. Ensure that the contract does not limit the government's prerogatives in the future to determine network connection and other telecommunications competition policies and practices

4. Require the BTO corporation to commit itself to network expansion and service quality standards, and to be responsible for all local network facilities in the agreed geographic area

5. Require the BTO investors to include substantial long term investment from their telecommunications operating company partner

6. Require the BTO corporation to certify its ability to finance the project

7. Separate the BTO project into at least two geographically separate packages with different investor groups

8. Base revenue-sharing formula on the bid cost for
   A. Outside plant (plus transmission), and installed switching capacity and
   B. Actual reasonable costs of operations
   Target rate of return for both A and B should be established. Earnings above the target rate should be shared with TOT and the customers.

9. Require the BTO firm to provide information reasonably required by MOTC concerning costs, contracts, and procurement. Also require the BTO firm to comply with MOTC directives concerning competition or cost-effective procurement policies and practices, particularly with respect to transactions with affiliated or linked firms.

10. Require the BTO firm to provide any information reasonably required by MOTC concerning technical standards and network configuration and architecture

Appendix 3

List of Interviewees

A major part of my fieldwork in Bangkok (and short visits to Singapore and Melbourne) during January-June 1993 included in-depth interviews with a number of key persons knowledgeable about the telecommunications industry and Thai politics. The following list is the names and positions of those interviewees. However, there are some people who wanted their names to be omitted from this research and this list thus does not include this group.

<table>
<thead>
<tr>
<th>Interviewee</th>
<th>Position/Institution</th>
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<tbody>
<tr>
<td>Mr. Aaron Henderson</td>
<td>Investment Analyst, Crosby Research</td>
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<tr>
<td>Mr. Amnuaysak Thulsiri</td>
<td>Ericsson (Thailand)</td>
</tr>
<tr>
<td>Dr. Anek Laothamatas</td>
<td>Faculty of Political Science, Thammasat University</td>
</tr>
<tr>
<td>Mr. Angus Kent</td>
<td>Smith New Court (Southeast Asia)</td>
</tr>
<tr>
<td>Mr. Ante Xu</td>
<td>CIRCIT</td>
</tr>
<tr>
<td>Mr. Apaichon Watcharasin</td>
<td>Director, CP Public Relations Office</td>
</tr>
<tr>
<td>Mr. Charnarong Wongseenin</td>
<td>Managing Director, T.K.S. (Thailand)</td>
</tr>
<tr>
<td>Mr. Charnwittaya Chaikul</td>
<td>Assistant Director, Telecom Journal</td>
</tr>
<tr>
<td>Mr. Direk Jaroenphol</td>
<td>Deputy Managing Director, TOT</td>
</tr>
<tr>
<td>Mr. Ernst Thobky</td>
<td>Ericsson Project Manager (Bangkok)</td>
</tr>
<tr>
<td>Ms. Kannika Watthanananirand</td>
<td>Policy Planning Division, MOTC</td>
</tr>
<tr>
<td>Mr. Kamrop Worachat</td>
<td>Director, Policy Planning Division, MOTC</td>
</tr>
<tr>
<td>Mr. Kamthorn Jansaeng</td>
<td>Assistant Secretary, Office of the Cabinet</td>
</tr>
<tr>
<td>Dr. Kittin Udomkiat</td>
<td>Vice President, CAT</td>
</tr>
<tr>
<td>Prof. Kosol Petchsuwan</td>
<td>Secretary, TCT &amp; former Rector, KMIT</td>
</tr>
<tr>
<td>Prof. Krikkiat Phipatseritham</td>
<td>Faculty of Economics, Thammasat University</td>
</tr>
<tr>
<td>Ms. Loong Foong-Teng</td>
<td>International Affairs/Regulatory, Singapore Telecom</td>
</tr>
<tr>
<td>Mr. Mahidol Jantarangkul</td>
<td>Permanent Secretary, MOTC</td>
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<tr>
<td>Ms. Margo Towie</td>
<td>The Bulletin (Bangkok Correspondent)</td>
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<tr>
<td>Mr. Mitr Jaroenwan</td>
<td>President, TOT Employees' Association</td>
</tr>
<tr>
<td>Mr. Montri Pongpanich</td>
<td>SAP Leader &amp; former MOTC Minister</td>
</tr>
<tr>
<td>Ms. Nualnapha Thienjaroen</td>
<td>Policy Planning Division, MOTC</td>
</tr>
<tr>
<td>Prof. Osamu Akagi</td>
<td>Director, Japan Society for the Promotion of Science (Bangkok)</td>
</tr>
<tr>
<td>Mr. Paibul Warahapaithoon</td>
<td>Director, Senate Committees Division, Office of Parliament</td>
</tr>
</tbody>
</table>
-Dr. Pairaj Thatchayapong: Director, NECTEC
-Mr. Pansak Winyarat: Former Chief Adviser to Prime Minister Chatichai Phujad karn
-Ms. Patcharaporn Changkaew: Phu jad karn
-Ms. Patcharee Luenguthai: The Nation
-Mr. Pinyo Aswasanti: Phu jad karn
-Dr. Pisan Suriyamongkol: Graduate school of Public Administration, NIDA
-Ms. Prabhabornd Hudthagosol: Chief of Policy and Planning Section, PTD
-Dr. Prasith Prapinmongkolkarn: Chula Unisearch & former CAT Board Director
-Dr. Prawit Ittimakin: Senior Manager, Business Development, TelecomAsia
-Prof. Rangsan Thanapornphan: Faculty of Economics, Thammasat University
-Mr. Sanan Phiromsawasdi: Director, TOT Planning Office
-Mr. Sarin Skulratana: Director, International Communications Division, MOTC
-Mr. Sawat Chaiyen: Chief of Corporate Policy Section, TOT
-Mr. Setthaporn Cusripituck: Deputy Director General, PTD
-Prof. Sitthichai Pookaiudom: President, Mahanakorn College & former CAT Board Director & former KMIT Rector
-Mr. Somboon Sirikiratikul: Manager, Communication Section, NEC (Thailand)
-Mr. Somlak Sajjaphinand: Vice Chairman, UCOM & former CAT Deputy Governor
-Mr. Somprasong Boonyachai: President, AIS (a major subsidiary of SC&C)
-Mr. Sriphumi Sukhanetr: President, UCOM & former Permanent Secretary, MOTC
-Dr. Sudhiporn Pathumwapibal: Ministry of Science, Technology and Environment
-Dr. Sudharm Yunaidharm: Faculty of Law, Chulalongkorn University
-Dr. Sumeth Wongpanitchlert: Telecommunications Expert, TDRI
-Mr. Ukrist Pathmanand: Institute of Asian Studies, Chulalongkorn University
-Ms. Visudsri Jaiphakdee: Chief of Communications Planning and Projects, NESDB
-Ms. Wallaya Jaorenpho: Thansetthakit
-Ms. Wassana Muthutanond: Senior Investment Promotion Officer, Board of Investment
-Mr. Watthana Iambamrung: President, CAT Labour Association
-Mr. Yingyord Manchuvisith: The Nation
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