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# Thailand: The Uncertain Kingdom



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Interagency Intelligence Memorandum

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THAILAND: THE UNCERTAIN KINGDOM



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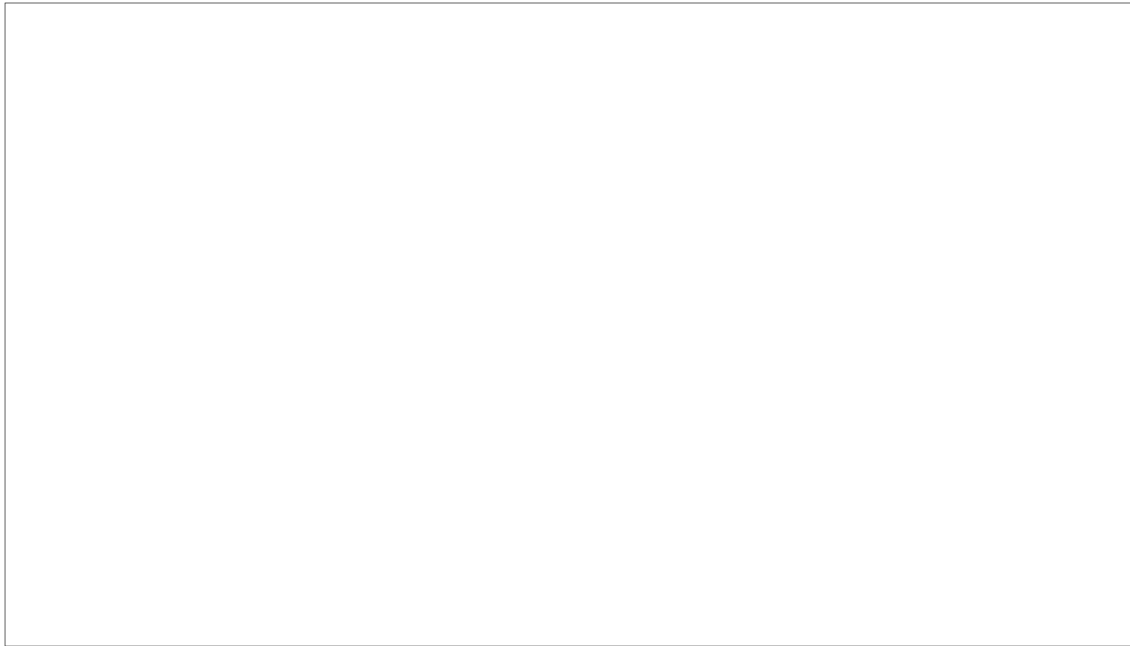
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### SCOPE NOTE

Thailand's nagging political and economic problems—and expected changes in leadership—suggest that this important US ally may be headed for a period of uncertainty that could be detrimental to US interests in Southeast Asia. This Memorandum examines the political and economic variables affecting the stability of the Thai Government and the probable course of events over the next five years, as well as alternative scenarios.

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## KEY JUDGMENTS

Since the late 1970s, Thailand's relatively moderate political and economic course has been considered a success story both for Thailand and for US interests in the region. With the waning of the Communist insurgency in the early 1980s, many observers concluded that the government's effective counterinsurgency program had removed a major source of instability. *As the end of the decade nears, however, we believe that Thailand may be approaching a period of uncertainty at home and abroad. We see several potential stumblingblocks ahead:*

- Respect for civilian political institutions remains weak, and the likelihood of a sudden coup attempt will remain fairly high over the next five years.
- Chances are high that one or both of the preeminent political figures—Prime Minister Prem and King Bhumibol—will step aside within the next five years, creating worrisome succession problems in Thailand's highly personalized political environment.
- Despite a fairly strong economic performance overall during the past decade, agriculture and some other sectors are depressed—and unlikely to recover quickly—while protectionist measures are complicating Bangkok's export strategy.

*Over the next five years, however, we are generally optimistic that the Thai will cope successfully with their problems. Although we rate the chances of another coup attempt as medium to high over the next few years, it is unlikely that a new military-dominated government would make radical changes in domestic or foreign policy.*

An orderly departure by Prem—which we anticipate within the next 18 months—will probably intensify the debate over civilian and military roles in Thailand's fledgling democratic system, because constitutional provisions for appointment of a new prime minister are vague. Neither the military nor the civilians are satisfied with their shares of political power. If Army chief Chavalit succeeds Prem—and he is the top contender—he would probably allow limited parliamentary politics to continue. Other contenders in the Army ranks believe civilian political activity should be further restricted.

Moreover, should the King abdicate during the period covered by this Memorandum, it would remove the only person influential enough to serve as an arbiter during times of political tension.

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Meanwhile, Bangkok faces a tough reevaluation of its development policies because of changes in the economic environment since the mid-1970s:

- Economic growth—which fell to just 4 percent in 1985 and 1986, the lowest level in two decades—is unlikely to return to the high rates of the 1970s.
- Inadequate domestic savings and investment along with balance-of-payments problems since the beginning of the decade have made foreign debt management more difficult.
- Unemployment is growing rapidly among certain sectors of the population, while agricultural incomes have stagnated or declined.
- Bangkok's efforts to continue to boost exports have heightened trade frictions—especially with the United States—as protectionist pressures in Thailand's overseas markets have increased.

*Nevertheless, we believe that conservative technocrats can retain their influence over economic policy and proceed with reforms that will allow Bangkok to boost exports and reduce its need to borrow. In our judgment, Thailand's comparative advantage in agriculture and its adaptable private sector should continue to provide a sound foundation for future economic development.*

The Cambodian conflict could also pose risks for Thailand, although the danger of hostilities with Vietnam will remain low. Thus far, efforts to bring about either a favorable diplomatic settlement or a Vietnamese withdrawal have failed, forcing Bangkok to accept a Vietnamese presence on the Thai border for an indefinite period. On the other hand, Bangkok's dependence on others, particularly ASEAN and China, for diplomatic and materiel support for the Cambodian resistance, makes it vulnerable to changes of mind or approach over the longer term by those footing the bill.

Because Thailand is deeply involved in the conflict in Cambodia, both Beijing and Moscow have redoubled efforts to woo Bangkok during a period when Thai-US relations are experiencing strains caused by trade frictions. *We believe Bangkok will continue to support the Cambodian resistance but will try to limit the chance of direct conflict with Vietnam.* As a result, we expect Thai-Soviet relations to remain chilly, even as the Soviet Union steps up efforts to improve them. In

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addition, Thailand, while seeking to exploit its relationship with China, will probably try to control the pace of the military cooperation because it distrusts Beijing's long-term plans in the region, and will wish to avoid alienating its ASEAN partners. *We believe that ASEAN's diplomatic consensus on Cambodia will continue, although there probably will be differences in approach and tactics.* Malaysia and Indonesia are nervous about the prospects for the resistance and the Thai's close collaboration with China on Cambodia.

We believe Bangkok will guard its alliance with Washington as the pillar of its foreign policy, and we expect US-Thai security relations to remain close. But, because the Thai view the level of security assistance as symbolic of the US commitment to Thailand, probable reductions in US aid in coming years are likely to erode Thai confidence. This process could be further aggravated by:

- More aggressive Vietnamese action to eliminate resistance to Hanoi's control over Cambodia. In our opinion, Thailand would be likely to respond by pressing for more military aid and/or a more specific commitment on US intervention in the event of an invasion.
- Economic limitations on Bangkok's ability to modernize its armed forces.
- Increasing Soviet military activities in the area or the provision of sophisticated military technology to Vietnam.
- Threatened loss of US access to bases in the Philippines. We believe Bangkok views a large US military presence in Southeast Asia as very much in its interest, but, while we believe a small US facility might be established in Thailand under certain conditions, strong domestic opposition to the return of US forces probably would rule out a large US military presence on Thai soil if the United States loses access to bases in the Philippines.

Moreover, bilateral trade tensions are likely to become a larger part of the US-Thai relationship as Bangkok tries to expand exports to the United States and to maintain its share of world agricultural exports. We do not anticipate direct retaliation for trade frictions because the Thai will seek to avoid derailing the security and diplomatic relationship. Nevertheless, Bangkok may respond by becoming less cooperative on other issues of importance to the United States.

If Thailand is unable to manage as we anticipate, we believe the most likely causes would be intensified power struggles among the Thai elites, such as a royal succession crisis, or a series of external shocks to the economy. For instance, we believe that the transfer of royal power will raise political tensions in Bangkok and, at worst, could precipitate a violent conflict among the political and military elites.

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Indications that a more pessimistic assessment was coming into play might include:

- King Bhumibol's death or early abdication.
- A rise in public political activism or sustained public protests.
- Frequent or more violent coup attempts.
- A marked deterioration in Thailand's external accounts and in living standards, especially for urban consumers.



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