

Bankers Trust  
Company



International  
Assessment

International Economics

280 Park Avenue, New York, N.Y. 10017 U.S.A.

---

THE POLITICS OF THAILAND'S ECONOMIC MANAGEMENT

William H. Overholt

Vice President

Political Assessment Group

PAG 247/1-D

22 October 1985

**DRAFT**

This is a working document and is not in final form; the statements contained in it may need to be revised or corrected. It is reproduced for private circulation only, not for general distribution or publication, and it should not be cited or quoted without the permission of the author.

Drafts are reproduced at the discretion of the author, with no Bank review procedure, and thus no opinions, statements of fact, or conclusions contained in this document can be attributed to the Bank or its clients.

## THE POLITICS OF THAI ECONOMIC MANAGEMENT: SUMMARY

Thailand's economy comprises 50 million people at moderate levels of income by world standards. The economy is highly diversified; Thailand is among the world's leading producers of sugar, rice, tapioca, maize and tin, and has major rubber, textiles, and light manufacturing industries. It is fast on its feet, able to shift from one product to another with remarkable speed. Much of the economy is in the hands of medium and small-sized firms, so the fate of the economy does not depend on the vicissitudes of a few large companies.

Traditionally, Thai bankers have had a major voice in running the country, and the banking aristocracy has exercised a powerful conservative influence on financing at all levels. Thai debt to equity ratios are more conservative than is typical of other Asian countries, and Thai banks are more insistent upon collateralization of business loans than their counterparts elsewhere. This, together with the economy's diversity and resilience, give Thailand advantages in facing a period of stringency like the present.

Thailand has become known as a country of coups, and to some this conveys an image of instability. But this is an instability of senior personnel and group advantages, not of the basic system. The basic Thai system has experienced fewer political discontinuities which severely disrupted business than any other country in Asia -- including Japan, since Thailand's favorable record predates World War II. Thailand had a 40-year run of 7 percent growth prior to the 1980s.

Like other primary product, textile, and electronic exporters, and oil importers, Thailand has been suffering from high oil prices, low agricultural commodity prices, protectionism, and rising debt. It has moved in the past decade from a position of net creditor to the rich countries to a position of very substantial net debtor. Its response to rising indebtedness has been delayed by the fears of always-vulnerable political leaders that unpopular austerity measures would cost their jobs. These fears are justified; the Thai public has little tolerance for austerity. However, the problems have been widely acknowledged for years, and, when delay could no longer be tolerated, the government moved gradually but steadfastly to take necessary measures. Its backbone has been strengthened by the emergence into leadership positions in all major sectors of a new generation of technocrats and, above all, by the full support of the king.

Coup attempts by the Young Turks in April 1981 and by a related group in September 1985 failed miserably, as did an attack on the government by Army Commander in Chief Arthit precipitated by the devaluation of November 1985. These hapless attacks have strengthened the government by weakening its strongest opponents and have facilitated sound economic policies by discrediting many of the most prominent critics. The government's gradual implementation of needed austerity measures has provoked widespread public grumbling and desire for leadership change, but have not undermined the government's ability to govern. Progress in implementing adjustment

measures, although late, in accordance with the Thai style of decision making, is now impressive and seemingly effective.

Thailand's steady growth and underlying stability make its economy the single most attractive market in the Third World. While it is neither the largest nor the fastest growing, its combination of steady rapid growth, resilience, stability, and openness has no peer.

## THE POLITICS OF THAI ECONOMIC MANAGEMENT

### The Thai Economy

Thailand is a medium-sized country of 50 million people, with a medium-level income. It is a moderate, banker's economy, heavily diversified, with economic ownership widely dispersed, debt to equity ratios very conservative, and most domestic debt heavily collateralized. It is substantially self-sufficient in food and is steadily reducing its dependence on imported energy.

Thailand's forty years of 7 percent growth rates led to development, not just growth. Population growth rates have declined from formerly high levels to around 2 percent. By third world standards, the country has superb infrastructure: roads, communications, irrigation, airlines, railways, ports.

The country has chosen a moderate, gradual, broad-based approach to development. Agriculture, the base, is taxed to support industry, as in most of the third world, but government policies toward farmers have been more benevolent than elsewhere. As a result, Thailand has become one of the world's major agricultural powers, a leading exporter of rice, sugar, tapioca, maize, rubber, and other products.

Tax policies have been used to encourage light industry, for instance by allowing duty-free import of capital machinery. Thailand has become an exporter of canned pineapples, canned tuna, garments, shoes, toys, leather products, plastic products, and integrated circuits, among many others. As a group, these exports boomed even in the difficult year of 1985.

More recently, Thailand has made serious efforts to initiate development of heavy industry. As everywhere in the third world, Thailand has an important group of officials and businessmen who equate development with heavy industry, but Thailand has been much more cautious than other countries about mortgaging itself for steel mills. In fact, it has no steel mills and no plans for any. Subsidies are lower, standards of efficiency higher, and competitiveness greater than is typical of Southeast Asian countries.

The economy is relatively open and competitive. Its public sector is limited to 15-16 percent of GDP. Despite a number of third world-style monopolies, dispersion of domestic ownership and acceptance of foreign competition are sufficient to ensure competition and dynamism.

If Brazil had been run for the benefit of the private sector rather than the government, and if its bankers had kept borrowing under control, it would have looked like Thailand.

## Thai Politics and Society

### Political Structure

Thai political history is a story of stable instability. Leaders change, policies shift, military and civilian leaders alternately drive one another from office. But beneath this surface of instability there is a gradually shifting equilibrium in which major roles are played by the same groups: the military, the monarchy, the bureaucracy, and the civilian politicians.

All of these groups always exercise major influence. No group ever tries to kill off completely the influence of any of the other groups. Each group therefore has an effective veto over extreme policy changes. Leaders always seek consensus and consultation.

In most other Asian countries, dictators or communist parties exercise clear control. It is clear where the buck stops. The stability of a Park or a Marcos or a Suharto or a Mao in office gives the country an image of strength and stability and decisiveness -- until the dictator gets old, or the economy gets repressed into collapse, or steam of suppressed social change reaches a critical level. Then the lid blows off.

Thailand is the opposite extreme. In Thailand's aristocracy, nobody is in charge. In Thailand's economy, no firm or group of firms can dictate the future. In Thailand's shifting political equilibrium, no leader can stay on his feet indefinitely.

The resulting polity is coup-prone and indecisive. It is also moderate and consensus-oriented. Every minister is fearful for his job, so every minister is reaching out for every possible support

group. Nobody can decisively change the nation's course, and this frequently means interminable delays. On the other hand, foolish, divisive changes are minimized, and every leader is intensely conscious of pressures for change and eventually responsive to those pressures. As the economy develops, or demographic shifts occur, or foreign pressures change direction, Thailand's leadership and policies evolve in sympathy. In Asia, only Japan has a comparable system of consensus-building and frequent changes of top leadership.

Thus, while Thailand from one perspective is a nation of coups, from another it is a nation of continuity. The Thai monarchy has held office since about the year 1250. Thailand is the only country in Asia which had the unity and flexibility to avoid colonization, the only country which has avoided a fundamental political breakdown since 1932 (when a military coup overthrew the absolute monarchy), and the country with the longest period of sustained economic growth.

Thai politics draws on other sources of underlying stability. Its population is the most homogeneous of Southeast Asia. Thailand gradually absorbs its small Chinese minority through intermarriage and economic cooptation, and it profits from Thai-Chinese business dynamism. Thailand's superior economic growth gradually

domesticates an impoverished Lao minority in the Northeast. (Thailand has more ethnic Laotians than Laos does.) Thai Buddhist tolerance makes the best of an uneasy relationship with a southern Muslim minority of 2 to 3 million. Buddhism instills a broadminded tolerance of differences and acceptance of government policies.

Thailand's aristocratic social structure confers another stabilizing benefit. While Thailand has its share of corruption and of greedy people, money is not the all-consuming passion in Thailand that it is in the Philippines and Indonesia. In Thailand, the aristocratic values, namely honor, power, and status, and the Buddhist religion are all-important to the elite. While this is of little solace to foreign bankers who are asked to hand over their money for one-eighteenth of a percent over LIBOR, it softens the struggle for shares of the pie and adds a measure of dignity to social relationships.

In recent years, Thailand's shifting equilibrium has shifted less jerkily than in preceding years. The present constitution, and the present prime minister, have far outlasted most of their predecessors. Thailand is in danger of losing its reputation as a country of coups -- or at least of successful ones. This results partly from the personality of Prime Minister Prem, but primarily from broad changes in Thai society.

#### Prime Minister Prem

Prem, a former army commander in chief, is a moderate among moderates, a balancer in a country of delicate balances. He is a genial, relaxed Eisenhower figure (or, to those who dislike his austerity programs, a genial, honest Gerald Ford figure), whose lack of greed and priority for national concerns contrast sharply with some of his predecessors. He reaches out to the civilian politicians without losing his old military friends. He balances the army commander against other senior generals, the army against ISOC (a counterinsurgency organization), the older officers against junior officers, the military against the political parties and business.

Prem is a member of no political party, but he is supported by a constantly shifting coalition of parties who feel that he is good for the country, not so strong as to step on their toes excessively, and not owned by any of the parties or by the military or the bureaucracy. He is also supported by much of the military and much of the bureaucracy. Perhaps his strongest support comes from the royal family. When Prem was about to be retired from the military, the queen called in the army's then number two figure and gave him 1.5 million baht to distribute among other officers as inducement to sign a petition for Prem to be kept on. Twice during Prem's tenure as prime minister the king has risked his position "above politics" to rescue Prem from a coup. Thus, Prem has a broad and powerful, albeit shifting, base of support.

Prem reaches out directly for advice to academics, technocrats, and even, for instance in the case of Texas Pacific, foreign businessmen negotiating with his government. (Texas Pacific got taken to the

cleaners anyway, which is another important part of Prem's success story.)

### Political Parties

The big political gainers in recent years have been the civilian political parties, particularly the Social Action Party (SAP), and the businessmen behind the SAP. Decades of economic growth have created a powerful business class, and decades of Thai absorption of the Chinese have finally given the business class enough of an indigenous Thai identity to make business a relatively legitimate political participant. The Social Action Party has, naturally, had the money to fight national campaigns, and, unlike every other party, it has a social and economic program. The program is conservative and market-oriented in economic thrust but politically revolutionary because it seeks reaches outside Bangkok to other cities and to rural areas and mobilizes supporters while trying to devolve money and power to these new political entrants.

This forceful entry of the civilians, particularly businessmen of all people, frightens Thailand's conservative forces. The military, the bureaucracy, and academics find electoral politics much too undignified, much too undisciplined, much too corrupt, and much too influenced by Chinese to be an acceptable overall process of governance. But they are willing to accommodate electoral politics up to a point. The result is an accommodating, open, flexible political system with most of the openness and responsiveness of democracy. (Thailand shares with Japan the luxury of having a truly free press.) It is instructive to compare how France and Thailand handled the emergence of the entrepreneurial class. France had the French Revolution; Thailand had a few coups.

### The Military

The military has historically been first among equals in governing Thailand, and it may well return to supremacy. But the military has lost its predominance due to fundamental changes in Thai society. The military role is not small. Prem is a former general. He relies on many former generals for advice. The Senate and several political parties are military organs. And, to maintain his position, Prem must watch the generals and the colonels constantly.

But the military has lost some of its clout. With the Indochina war on simmer and the domestic communist threat largely vanished, the military's key argument that national security requires military supremacy has weakened. The end of the Vietnam war meant an end of overwhelming flows of U.S. aid to the military. The flow of funds has further diminished as the government has gradually replaced some traditional business monopolies of the military with a new system that licenses several Chinese competitors in place of monopolies. Meanwhile, public attention has focused on the economy, the economy has become quite complex, and a generation of civilian technocrats and capable Thai businessmen has acquired economic management skills that give them an advantage over the military.

The military has its weapons, its social status, and a substantial financial base, but it has no coherent or persuasive program for the nation. The old problems of subversion, threatened invasion, social disorder, and economic indiscipline were susceptible to military skills; setting the exchange rate and choosing a gasoline price require different skills.

Meanwhile, the current army commander in chief, General Arthit, has weakened the army from within. This is the single example in contemporary Thailand of a major institution being weakened by its leaders. Whereas Prem had emphasized professionalism, Arthit bends all the rules to serve the interests of small cliques, and allows personal loyalty, ideological compatibility, and financial interest to outweigh professional skills and formal rules. He has surrounded himself with yes-men and as a result frequently makes disastrous policy errors. All of this has weakened the army's support from civilians and contributed to factionalism among the soldiers.

So the military remains powerful, and would likely rule again if the country encountered serious financial difficulty or external threat. But in the meantime it complains about lack of discipline and about electoral corruption, and adopts a generally hostile attitude toward business, Chinese influence at home, and American influence everywhere, but cannot turn those attitudes into a program or a governing coalition.

#### The bankers

Thai domestic banks are a potent political force. Most are managed by Thais of Chinese origin. The banks, particularly Bangkok Bank, enjoy huge oligopoly rents and impose very conservative policies on most of the economy. Siam Commercial Bank is controlled by the monarchy and is a principal instrument of the monarchy. Hence the banks draw the ire of businessmen, who feel squeezed; of the military, who see the banks as symbols of capitalist greed, Chinese power, and corruption; and of reformers who would like to weaken the entrenched aristocratic order.

#### The monarchy

The king's weight in Thai politics has always been substantial, but has now grown greater than at any time subsequent to the 1932 overthrow of the absolute monarchy. Indeed, on most recent major issues, the king has been decisive. He has become the most effective force for political stability and sound economic management.

The king symbolizes the nation and has great capacity to mobilize public opinion. The monarchy's economic power, managed through the Royal Property Office, is pervasive. The monarchy owns much of such major institutions as Siam Commercial Bank and Siam Cement, has extensive real estate holdings, and plays a role throughout the economy. A suggestion from the king to key groups of businessmen can create significant economic shifts.

The monarchy wants a military that is strong enough to ensure border

security, but not strong enough to jeopardize the other interests of the monarchy. It wants to avoid the emergence of any strong communist political party. It wants to ensure the continuation of a capitalist economy, with a powerful role for the Royal Property Office. These priorities lead the monarchy to support a limited democracy, to seek a government that is strong and popularly based, but not too strong and not too populist. The king, like the prime minister, is a master balancer.

Because of its extensive economic holdings, and because of the long-term perspective of a family that came to power more than seven centuries ago, the monarchy has an overriding interest in sound long-term economic and financial management. This interest of the king has repeatedly proved decisive in recent years.

#### Recent coup attempts

The military, as noted, is discontented with loss of its role as first among equals, is convinced that democratic process is corrupt, and believes that the current political structure yields too much influence to businessmen, Thai Chinese, and foreigners, especially Americans. Moreover, each generation of soldiers is anxious for its share of political power and patronage, and Prem has clogged up the system by remaining in power so long.

In April 1981, a group called the Young Turks launched a coup and in the process captured Prime Minister Prem. Their program emphasized greater discipline, a central political role for the military, greater constraints on multinational corporations, and a takeover of the banking sector, agricultural trade, and middleman operations in general. These latter demands were more an expression of frustration than a non-negotiable program. The Young Turks also wanted their share of the pie. Although many regarded the Young Turks as idealistic, this particular demand was less negotiable.

The military leadership turned against the Young Turks. For the first time in Thai history, the country outside Bangkok weighed in politically -- on the side of the government. The king intervened to rescue Prime Minister Prem, and the coup ended.

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

This angry denunciation was so unacceptable in Thai culture (where one must smile constantly, even in the most upsetting situation) that Arthit was finished politically in public opinion. The king, determined to support sound financial management, invited Prem to be

his guest in the palace for an extended period, and the newspapers displayed pictures of the king and the prime minister lounging in their pajamas enjoying each other's company. The queen, who had until then been Arthit's strongest patron, subsequently refused to deal with Arthit even in official ceremonies.

In the spring of 1985, Prem reappointed Arthit as commander in chief of the army, thereby leaving the position most threatening to Prem in the hands of a politically crippled general.

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

The defeat of these military efforts to change the government or to exert decisive power does not mean that attempted coups, and perhaps even successful ones, will not happen in the future. There is another group of officers in the army, calling themselves The Royal Elephants, who clearly are preparing to try some day. But the finesse of the government, the firm hand of the king, and the ability of a widespread network of young technocrats to explain unpopular policies, testifies to the basic soundness of Thai governance.

#### Other threats

Through the 1970s, many university intellectuals promoted Marxist ideas, the Communist Party of Thailand mounted a serious insurgency with Chinese support, and a group of university students alienated by the brutal right wing coup of 1976 gave leadership backbone to the rural insurgency.

Subsequently, China has cut off the insurgency in an effort to promote ties with the West and to obtain Thai support against Vietnam and the U.S.S.R. The Vietnamese have not been able to replace the Chinese support of Thailand's guerilla movement. Thai economic success, and the conspicuous economic tragedies of Indochina, have weakened the influence of Marxist ideas. Prem's gentle policies have weaned back the alienated university students, and most of the best young intellectuals are heavily engaged as advisors to Prem, to various ministries, to business, or to military groups. The army has used a political cooptation program to weaken the insurgency greatly. In short, the communist left is no longer a threat.

Nor is the government threatened by events in Indochina, where the Vietnamese army has enough to do without a major Thai conflict, or by a minor Muslim insurgency in south Thailand.

## The Politics of Economic Management

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

### The accumulation of debt

Despite all of this, the Thai economy has been affected by high energy prices, low prices for its agricultural commodities and raw materials, protectionism against textile and many other exports, and general slowdown in the world economy.

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

### The Delay of Austerity

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

### Devaluation

By late 1984, most of the elite had looked over the edge of the financial chasm and was convinced of the need for urgent measures. The November 1984 devaluation (see the section above on recent coups) was a major political turning point. It discredited the opposition politically. Since the opposition said it would have no positive effects on exports, and manufactured exports leaped by 15-50 % in a

recession year, it also discredited much of the opposition intellectually.

The devaluation was artfully handled politically and beautifully timed. It came after a month when inflation had been negative, so the inflationary impact was minimal. It was unexpected. Congress was closed. General Arthit was abroad.

#### Eastern Seaboard Development

A second major policy issue is the fate of the heavy industry program, focused on the Eastern Seaboard Development Plan, which calls for a new port, other new infrastructure, a major fertilizer complex, and petrochemical plants of various kinds. The gradual approach to industrialization has powerful opponents. The National Economic and Social Development Board, a key policy body, backed by key industrial interests, sought rapid growth through a leap into heavy industry even though it would worsen economic disparities and enlarge foreign debt. The Bank of Thailand, the Ministry of Agriculture, the Ministry of Commerce, IFCT, and most academics, on the other hand, advocated a more gradual approach in the interest of better income distribution, low inflation, and control of foreign debt.

The competition between these schools of thought first led the heavy industrialists to limit their proposals. Steel mills were never seriously advocated, and a proposal for a Thai car was quickly defeated. (Contrast Malaysia.)

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

The result is a reasonable, gradual approach to industrialization. Not every project is cost-effective. But the contrast with nearly every other third world country is dramatic.

#### State firms

As noted earlier, the Thai government share of GDP is unusually small. Nonetheless, there is a government budget deficit problem, and two-thirds of public sector foreign debt was acquired by state firms. The state sector earns a net profit, but the NESDB discovered that state enterprises were increasing unemployment over 10% per year even in recession years and that drivers in state enterprises earn more than middle-ranking officials in government ministries. So a program of privatization has been announced, covering such enterprises as the Erawan Hotel, the Bang Pa-In Paper Mill, and rice and jute mills. The unions strongly oppose this program, and so far

the program is stronger on planning than implementation.

#### Fees

Meanwhile, since the big money losers among the state firms are buses, water, and railways, the government has hiked bus fares and is whittling away at other deficits. A huge potential loser, although currently profitable, is the Telephone Organization of Thailand, run by none other than General Arthit, so the Ministry of Finance has refused to guarantee ToT's loans.

The government also raised auto taxes and imposed 1984 credit ceilings in order to restrain spending.

#### Military spending

Perhaps the largest single threat to Thailand's creditworthiness is the military budget. General Arthit plans to buy F-16 aircraft, which are more noteworthy for their expense than their third world utility; multiple rocket launchers, which even the U.S. regards as ineffectual; and an automated air defense system. The combined cost of these and other gadgetry would be staggering. Not wanting to confront General Arthit, Prem has not offered serious opposition in principle. But the government has quietly imposed a rule that the public sector foreign debt service ratio must never be allowed to exceed 9%. The chief effect of this rule will be to restrain the military, which will be held up as the cause of potential financial disaster if it pushes too hard to exceed the limit.

There have been other key demarches in the financial battle, notably over sugar and rice. Numerous key problems remain. The government needs to raise fuel prices higher, to act on privatization, to strengthen the tax system, and to avoid excessive subsidy of rice prices. But the central point of these examples is that the government is now acting, that by all estimates its actions are effective, and that political sophistication is ensuring the implementation of difficult policies.

#### The Sources of Policy Rationality

The government is able to act for a number of reasons. First, the historical experience of the region has convinced the Thais that going bust entails loss of sovereignty. Waiting until the last minute to act is built into the national political structure. Failing to act is treason.

Second, the king is enormously popular and powerful and identifies the interests of the monarchy with long-term financial responsibility.

Third, throughout government and business there is now a generation of powerful and brilliant technocrats who are highly trained and aware of nation's problems and basic options; who are fiercely

nationalistic and therefore opposed to excessive dependence on foreign debt; and who come heavily from very wealthy aristocratic families and can therefore speak out without fear when they feel their country is at risk.

Fourth, there is a broad technocratic consensus on the seriousness of the problem and the nature of the solution.

Fifth, Prem is politically brilliant at finding politically palatable ways of moving toward that solution.

Nonetheless, the task is difficult, and the unaccustomed austerity has created a wide-ranging public impatience and desire for change. The Finance Minister, who must implement austerity, is a figure of hate for many groups, and Prem is regarded in many circles as a Gerald Ford who can't walk and chew gum at the same time. The government has the means to win, but it will be a difficult turnaround.

#### The Principal Long-Term Risk

The key risk to the system is its high and increasing dependence on the king. He is about 55 and, although he had some heart problems in 1981-82 is widely believed to be in excellent health. To get through the current financial turnaround Thailand needs his good health. Prem is replaceable. The king currently is not. And Thailand will need a good many years for other trends, such as the emergence of the technocrats, to overcome the system's dependence on the king.

#### Overview

On balance, despite the system's dependence on the king, Thailand's diversified, rationally managed, steadily growing, minimally risky economy is easily the most attractive third world market for the next decade.

That Thailand would delay acting on its financial problems until the last minute has been predicted emphatically in past political reviews. That it would then act firmly although gradually has also been emphatically predicted. The purpose of this lengthy review has been to establish the basis for the predictions.