

A country is a company, a PM is a CEO¹

Pasuk Phongpaichit
Faculty of Economics, Chulalongkorn University

*Seminar on 'Statesman or Manager? Image and
Reality of Leadership in SEA', 2 April 2004*

“A company is a country. A country is a company.
They’re the same. The management is the same.”

Thaksin Shinawatra, November 1997

Thaksin’s election victory in January 2001 should be seen, not just as the “rise of Thaksin” but as the triumph of big business in Thai politics. Thaksin is not the only big businessman in the Cabinet, or well connected to it. Ukrist, others, myself elsewhere, have described the circles of interest around this government, so I don’t need to go into detail.² It’s enough just to note the Cabinet and the core of the Thai Rak Thai Party contain a significant selection of the big business families which managed to survive the crisis in reasonable shape.

Big business has captured the state. That in itself is interesting, and I will talk a little about how this came about. But what big business wants to *do with the state* is more interesting, and I’ll spend rather more time on that.

First, then, how did this capture of the state come about? To begin with we have to understand that this is not totally new. In the era of military dictatorship, big business was very well connected politically. As parliamentary democracy developed, several big businessmen played a prominent role in the early stages, and later moved more into the background.

For most of the past two decades, they have not seen much need to take a direct political role. I think this was for two reasons. First, before 1997 globalization seemed to be a great thing. Big business profited more than any other social or economic segment by getting access to technology, ideas, education, markets, finance. Big business did not need the state to manage globalization. Second, the state did a pretty good job of looking after business’ interests inside the country without the need for direct management. It built infrastructure, controlled labour, kept the macroeconomy stable, and did not interfere.³

All that changed over the 1990s, and especially in the 1997 crisis, in three main ways. First, the existing political system showed itself catastrophically incapable of protecting big business interests – in fact the government sleepwalked into a crisis which wrecked many of the largest companies. Second, globalization ceased to be a friend but a threat – in the shape of the IMF and predatory transnational capital. And third, society became more demanding. The 1990s was a decade of protest, new political organizations, and

arguments for structural change. (I will come back to this issue below).

These three changes provided the motivation for big business to take a larger political role. Two other things made it much easier. First, parts of the 1997 constitution had an urban, centrist bias which provided the openings for big business.⁴ Second, the widespread social havoc of the crisis created an equally widespread demand for political change which could be exploited by electoral promises and party imagery.

Now let me move to the second part, how big business wants to use the state. I divide this into two areas, which are broadly economic and sociopolitical respectively.

First, economic. This government wants to shift towards a form of the 'developmentalist' state found in other parts of Asia over the past generation. By developmentalist I mean that the state takes a more active part in protecting and promoting domestic capital in order to achieve catch-up economic growth.

This is not a new ambition on the part of Thai domestic capital. Back in 1980, the banker and finance minister, Boonchu Rojanasatian, campaigned for "Thailand Inc." and said "We should run the country like a business firm".⁵ That effort was blocked by the generals who worried that capitalism rampant would stimulate communism rampant too.

Thaksin has echoed Boonchu almost exactly, talking of "Thailand Company Limited", and saying "A country is a company. A company is a country. They're the same."⁶

Economic growth is the Thaksin government's primary focus. At first, it was simply recovery from the crisis. Once this was on the way, the goal became attaining OECD status and transiting into the first world.⁷ This is the primary goal that shapes all the secondary ones.

For earlier developmentalist states (Japan, Korea, Taiwan), their aim was to force-feed domestic capitalism by three main kinds of policies: directed credit; industrial policy, meaning packages of protective and promotional measures for selected sectors or firms; and control of labour.⁸

Thailand's new developmentalism differs in some important ways because of the change in era and the special character of Thailand's economy. Most importantly, Thailand has pursued trade liberalization and later financial liberalization for many years. The economy is highly open and externally oriented. Changing this orientation would be highly costly. Since the boom and bust, most major industry – and especially export industry – is under transnational firms. The Thaksin government's policy is not to withdraw from this transnational dominance.⁹ It accepts that this is the age of transnational production networks. Rather the government tries to promote Thailand as a site for export location, tourism, investment, and at the same time to upgrade Thailand's position within transnational production chains.¹⁰

In parallel, the government wants to promote and protect domestic capital in sectors oriented to domestic consumption, especially service industries. These sectors are somewhat protected from foreign competition, not by trade protection but by other legal barriers, such as the ban on foreign ownership of land, and restrictions on foreign investment in media, telecommunications, certain kinds of services on grounds of special or security reasons.¹¹ These sectors are also the ones in which most of the family businesses connected to the government are involved.

The government has moved towards what used to be called “industrial policy”, though here it is formulated in terms of business school economics and labelled “enhancing competitiveness” and promotion of small and medium enterprises (SMEs). Five strategic industries have been openly identified for promotion, including fashion, agri-processing, automobiles, ICT especially graphics, and services including tourism, restaurants, medical, and logistics. Others are clearly being promoted in parallel through cronyist ties. Note that the majority of strategic industries are in services or service related.

The government is also involved in channelling credit on a scale never previously seen in Thailand. The 1997 crisis pole-axed the commercial banks and finance companies. Those that survived are still reluctant to lend. At the same time, the crisis transferred many banking assets to government control. The government’s Krung Thai Bank was transformed from a sleepy dinosaur into the country’s largest lender. In addition, the government has mobilized other semi-dormant state banks and state specialised financial institutions (e.g. Government Saving Bank, EXIM Bank, SME Bank, etc.), expanded their role, and urged them to lend. It has also experimented with ways to steal dormant deposits away from the remaining commercial banks; launched schemes of subsidized credit (for real estates, and for SMEs); begun using the stockmarket to corporatize and refinance state enterprises; and set up a state Asset Management Corporation which is able to restore the creditworthiness of formally bankrupt companies. The government has become the major factor in the allocation of credit.¹²

The government is also stimulating consumption in order to create the market for domestically oriented enterprise. This began with Keynesian stimulus under the previous government. Thaksin expanded this by encouraging the increase in consumer debt.

Finally, the Thaksin government is intent on broadening and deepening the extent of the domestic capitalist economy. The thinking is simple: many people still live in a semi-subsistence economy. Incorporating them more firmly into capitalism will increase growth (as well as reducing poverty). The Thaksin government’s so-called “populist” schemes are easily misunderstood as similar to Latin American welfare populism. With the exception of the cheap health scheme, this is not the case. The Thaksin schemes are mostly about stimulating entrepreneurship by increasing the access to capital. Thaksin has said: “Capitalism needs capital, without which there is no capitalism. We need to push capital into the rural areas.”¹³ Thaksin’s adviser, Phansak Vinyaratna, claimed: “For the first time in the history of Thailand, we have moved capital closer to the people.”¹⁴

The same logic is being applied to some parts of the illegal or underground economy. The government wants to legalize them and bring them within the scope of the legitimate economy.

Now let me come to the socio-political part. Here my argument in summary is: while big business has seized the state to manage external threats, it has also seized it to manage internal threats. This second mission is just as important, and much less understood.

After the end of the Cold War and the collapse of Thailand’s military rule, there was a big expansion of political space – protests, civil society, NGOs, public intellectuals, people politics, new organizations, etc. More people were looking for new ways to challenge the distribution of power and wealth.

This upsurge threatens the interests of big business in many ways. Most directly, it threatens their ability to command the use of natural resources for land development, power generation, waste disposal, and many other things. By the end of the 1990s, almost every large-scale project was challenged and blocked by protest.

More subtly, this new civil society embraced ideologies which wanted to severely reduce the power of the central state. These ideologies arose in reaction to the centralized, top-down, dictatorial state of the era of military rule, which was willed almost intact to the new parliamentary politicians. These protest ideologies ranged from a classic liberalism which simply wanted to qualify state power through greater transparency, rule of law, checks and balances, etc., through to more anarchistic ideas such as the community culture movement which wanted to disassemble the central state and return power to local communities. These liberal and anarchistic strains were logically opposed to one another, but in many of the campaigns of the 1990s they could cooperate in opposition to the central leviathan. Some of the key policy documents of the late 1990s were written from this perspective, namely, many parts of the 1997 constitution, the eighth development plan, the decentralization law, education reform proposals, and so on.

Just when big business wanted to seize the state and use it to force-feed capitalism, civil society movements wanted to disassemble or restructure this state so it could be more responsive to other interests.

Moreover, the protest movements disrupting the big projects, and the ideological campaigns against the strong state, were intertwined. The ideologues rode on the protesters to press their agenda; the protesters contracted the ideologues to articulate their demands in a wider political context. Moreover, this axis began to benefit from globalization, whose benefits had earlier seemed to fall mostly to big business and the middle class. Similar protest movements and ideological currents began to link together on a transnational scale, leading to such events as the World Social Forum and the siege of Seattle.

Since 2001, the Thaksin government has closed down much of the political space opened up over the prior quarter-century. This has been dramatic. The government has pursued four main approaches.

First, the government has tried in part to quell protest through a new “social contract” offering some more welfare, village funds, and various “care” schemes.

Second, where this approach is ineffective, the government reverts to repression. The Pak Mun dam issue nicely fits the pattern. Thaksin himself went directly to the protesters and offered them money. When they refused, he settled the issue summarily without even completing the government-financed research, and had the protest camps forcibly dismantled.

The government has added several repressive laws to counter protests. It has partially rehabilitated the military to serve as an ally and resource. It has aggressively targeted the NGO movement.

Third, it has tamed the media through a mixture of law, regulation, intimidation and money. The media is possibly tamer now than at any time in Thailand’s modern history except the immediate aftermath of the 1976 massacre.

Fourth, the government has launched campaigns of social discipline. Some of these are peripheral – little more than state aid for panicked middle-class parents who cannot control their children and particularly their children’s sex lives. But behind these campaigns is an idea of the state’s duty and ability to discipline what Habermas would call the life-world. This is summed up in the phrase “social order”, which in its Thai version, *rabiap sangkhom*, has a much greater tone of conformity and orderliness than the English. For several months the Ministry of Culture has been running a TV ad about a bad youth who won’t bend his back in the traditional stoop of deference. The “final war on drugs” in 2003, had many objectives, but one of its outcomes was to intimidate all forms of social deviance.

Fifth, the government is promoting nationalism. This is not the political nationalism of the colonial and cold-war eras, but an economic nationalism. The thinking is explained in Liah Greenfeld’s book, *The Spirit of Capitalism*, which Thaksin and his advisors have publicly quoted on several occasions. The main message of the book is that societies which put priority on achieving economic growth to make their nation great can achieve “economic take-off” in one or two generations. The second message is that societies which start on this path, but then get distracted by other goals such as democracy *or* rights *or* the quality of life *or* equity, are likely to fall by the wayside.

At the end of last year, Thaksin said: “Democracy is a good and beautiful thing, but it’s not the ultimate goal as far as administering the country is concerned.... Democracy is just a tool, not our goal. The goal is to give people a good lifestyle, happiness and national progress”.¹⁵

In sum I see Thaksin as the leader of a big business project to seize the state in order to protect big business against both external and internal threats, and in order to achieve a “great leap forward” into advanced capitalism. Thaksin and his allies want to manage the economy more actively by using state tools to mobilize resources and deepen capitalism. They want to manage the society to suppress alternative agendas which might obstruct this great leap forward, particularly agendas which prioritize rights, democracy, or equity above growth. Thailand is obviously adopting a form of developmentalism¹⁶ along the line of the Asia NICs in the 70s, but with differences because of the way the world has changed over recent decades.

When a country becomes a company, and government becomes management, then people are not so much citizens with rights, liberties, and aspirations, but rather consumers and factors of production.

References

Deyo, Frederic C. (March 2000). ‘The “New Developmentalism” in Post-Crisis Asia: The Case of Thailand’s SME Sector’, A revised version of a paper presented at the conference “Towards APEC’s Second Decade: Challenges, Opportunities and Priorities,” organised by the APEC Study centre Consortium in Auckland, New Zealand, May 31-June 2, 1999.

----- (1989) *Beneath the Miracle: Labour Subordination in the New Asian Industrialism*,

Berkeley, Los Angeles, London: University of California Press.

Doner, Richard F. and Ramsay, Anil (2000). 'Rent seeking and economic development in Thailand', in Khan and Jomo, eds. (2000)

Khan, Mushtaq (2000). 'Rent-seeking as process', in Khan and Jomo eds. (2000).

Khan, Mushtaq and Jomo, K.S.(2000). *Rent, Rent Seeking and Economic Development*, Singapore, Cambridge University Press.

Pasuk Phongpaichit and Nualnoi Treerat (2003). 'Rent, Rent-Seeking and Economic Development' (In Thai), *Thammasat Economic Journal*, Dec. 2003.

Pasuk Phongpaichit and Chris Baker (forthcoming 2004). *Thaksin: The Business of Politics in Thailand*, Chiang Mai: Silkworm Books.

Pansak Vinyaratn (2003). 'Aisa finds its own way: The Thai road map', http://www.atimes.com/atmes/Southeast_Asia/EE30Aeo2.html

Pran Pisitsetthakan (2004). *Thaksinomics and CEO Thailand*, Bangkok Matichon Publishing.

Ukrist Pathmanand (1998). 'The Thaksin Group: A Study of the Relationship between Money and Politics in Thailand', *Copenhagen Journal of Asian Studies*, Vol.3, pp.60-81.

Wade, Robert (1990). *Governing the Market: Economic Theory and the Role of Government in East Asian Industrialization*, Princeton, NJ: Princeton University Press.

Wanida Tantiwithayapithak (forthcoming 2004). 'The Weak People's Constitution', *Thai Human Rights Journal*, Year 1, Vol. 1. The Thai version, 'Ratthammanun chabab prachachon puakpiak' appears in *Fa dieo kan*, Year 2, Vol.1 Jan-Mar 2004:10-35.

Yos Santasombat (1985). 'Power and personality: an anthropological study of the Thai political elite', Ph.D thesis, University of California Berkeley.

Notes

¹ This paper is presented at the seminar, Statesman or Manager? Image and Reality of Leadership in SEA, on 2 April 2004, organized by the Bangkok Office of the Centre for Southeast Asian Studies (CSEAS), Kyoto University, Political Economy Centre, Faculty of Economics, and the Faculty of Political Science, Chulalongkorn University.

² In the second cabinet led by PM Thaksin (October 2002), the major ministers came from six major business groups as follows: (1) the telecommunication industry groups including the family business of the PM himself, Yaowapa Wongsawat the PM's younger sister, and the Jasmine group belonging to Adisai Photaramik, Minister of Commerce; (2) automobile parts industry and automobile dealers of the Summit group including Suriya Jungrungruangkit, Secretary General of TRT and Minister of Transport and Communications, and Sirikorn Maneerin, donator and treasurer of TRT, holding the position of Deputy Minister of Education; (3) the entertainment industry group comprising BEC World which runs television channel 3 belonging to the Maleenont family, with Pracha Maleenont holding the position of Deputy Minister of Interior; (4) agro-business group of Charoen Phokphand or CP, with Wathana Muangsuk, the son-in-law of Chiaravanont family as the Deputy Minister of Commerce; (5) construction contractor businesses in Bangkok and provincial areas, consisting of Sanoh Tienthong, advisor to TRT, Uraivan Tienthong, Minister of Culture, Somsak Thepsuthin, Minister of Industry, Sora-at Klinprathum, Minister of Agriculture, Sonthaya Khunplum, Minister of Tourism and Sports, Anurak Jureemat, Minister of Social Development and Human Security and Suwat Liptapanlop, Minister of Labour; and (6) real estate businesses and large landowners consisting of Sudarat Keyuraphan, Minister of Public Health, Surakiat Sathirathai, Minister of Foreign Affairs and Pinit

Jarusombat, Minister of Science and Technology. See *Krungthep Thurakit*, 14 October 2002; Ukrist (1998); Pasuk and Baker (forthcoming 2004).

³ Rent-seeking and corruption was there, but at the stage of primitive accumulation of the Thai economy in the 1960s and 1970s, they were not of the types which prohibit capital accumulation. The competitive nature of clientelism of the time ensured a certain degree of efficiency (Doner and Ramsay, 2000; Khan, 2000; Pasuk and Nualnoi, 2003).

⁴ The charter allowed MPs to be elected on a party list, imposed a qualification that MPs must have a tertiary degree. This has enabled a big business group to seize the power of the state totally and completely in a short space of time (Wanida 2004).

⁵ Yos (1985: 196).

⁶ Thaksin Shinawatra, 'The problems of managing Thailand in the current era', speech at a political seminar, Nakhon Ratchasima, 8 November 1997 in Chumphon (2002: 105).

⁷ 'TRT will lead the way', *Nation* 27 December 2003. In one of his speeches in 2001, Thaksin said he wanted Thailand to apply for an OECD membership in his second term as premier (Pran, 2004: 322).

⁸ See for example Wade (1990); Deyo (1989).

⁹ Pasuk and Baker (forthcoming, 2004).

¹⁰ Deyo (2000).

¹¹ Other activities not open to foreigners for special reasons include farming, livestock, forestry and processed wood products, fishery in the Thai waters, Thai herbal extraction, trade in Thai antiques, casting of Buddha images and monks' begging bowls, sales of land. There are also activities prohibited or regulated for reasons of safety, national security, environment and other reasons including production and repairs of arms, all types of internal transportation including airlines, sales of food and beverages, clinics and hospitals, etc.

¹² For 2003, eight state banks and financial institutions advanced credits totalling \$3.4 billion (B151,531 million) to over 260,000 small and medium sized businesses (<http://www.sme.go.th>).

¹³ Speech to the Young Presidents Organisation, *TN*, August 21, 2003.

¹⁴ Pansak (2003).

¹⁵ *Nation*, 11 December 2003.

¹⁶ Deyo calls it "open development" referring to "the state-sponsored positioning of domestic firms in mid-value niches of international commodity and corporate chains organised by Japanese and other transnational firms" (Deyo, 2000). I prefer "service developmentalism" because of the emphasis on service industries.