

Book Reviews

Thai Capital after the 1997 Crisis

Pasuk Phongpaichit and Chris Baker (eds) (Chiangmai: Silkworm Books, 2008)

Chulalongkorn University economist Pasuk Phongpaichit and independent writer and analyst Chris Baker are responsible for some of the finest books on Thailand. Their contributions on history, politics and economics are amongst the best known, most widely cited and most influential books on Thailand. *Thai Capital after the 1997 Crisis* joins those other publications as essential reading.

This collection brings together 16 authors in 12 chapters that assess the impact of the economic crisis on Thailand's business class. Each chapter explains how this shock reshaped the class, changed the business environment and impacted on political activity. As well as an introduction that provides a thumbnail sketch of economic development and a conclusion that summarises some of the findings of the substantive chapters, the book is divided into sections that examine industrial sectors, selected company groups that emerged stronger from the crisis, the impact of the crisis on provincial business, and the prospects for Thai business.

Each of the studies is based on substantial research and, in some cases, represents the first academic research published on their chosen topic. For example, Porphant Ouyyanont's study (Chapter 6) of the Crown Property Bureau (CPB) – a slightly different version of his paper originally published in the *Journal of Contemporary Asia* (38, 1, 2008) – is the first accurate assessment of the royal family's huge wealth. The finding that the Chakri household is probably the world's richest royal family is remarkable. More so because the CPB is just the institutional investor and so does not account for all of the family's riches. Likewise, Nualnoi Treerat's account of Charoen Sirivadhanabhakdi's rise as one of Thailand's wealthiest businessmen is a remarkable account of a publicity-shy tycoon. Veerayooth Kanboochat's discussion of the exceptional growth of hypermarkets is another important story told for the first time (Chapter 3).

Other chapters shed much-needed light on neglected topics, including Rayong's political and economic powers (Chapter 7 by Chaiyon Praditsil and Olarn Thinbangthieo), Chiangmai's political economy (Chapter 8 by Viengrat Nethipo) and limited expansion of Thai multinationals (Chapter 9 by Pavidā Pananond). Natenapha Wailerdsak assesses the impact of the crisis on Thai-owned companies (Chapter 1) and Sakkarin Niyomsilpa discusses the manner in which the autos sector has moved from one where Thai investors were significant to a sector now dominated totally by foreign firms (Chapter 2). Ukrist Pathmanand and Baker examine the mobile phone sector, which is essentially a story of the rise of Thaksin

Shinawatra's Shin Corp (Chapter 4). Finally, in a largely theoretical piece, Thanee Chaiwat and Pasuk consider how some rents impact development (Chapter 10).

As I write this review, I am also watching the outcome of the 2007 elections arranged by the military following the palace-inspired *coup* of September 2006 that ousted Prime Minister Thaksin. The machinations that have followed the near-majority achieved by Thaksin's proxy – the People's Power Party – have seen men in their 70s and 80s, many of them politically active for five or more decades and well past their political use-by date, manipulating events. These old men want to decide the political outcome, irrespective of the voting results. Much of the rhetoric of these political ghosts reflects the language of the past: the need for nationalism and national unity, calls for selfless service to the nation, demands for loyalty to the crown and an emphasis on order.

For all of their problems, there was a sense that the liberal-monarchist 1997 Constitution and the capitalist-dominated Thaksin governments had ushered in a new politics. If nothing else, the votes of the majority of the population actually seemed to matter as the Thai Rak Thai Party implemented policies that courted the masses.

After the *coup*, however, the sculpting of the conservative 2007 Constitution, the passing of a regressive internal security law, and the resulting transfusion of political blood into factions that should have died a natural political death, demonstrated that the men of the past are well and truly back. These men are in the palace, the military, the bureaucracy and they dominate many of the political parties that contested the 2007 election.

What makes this political spectacle even more depressing is that a similar message emerges from *Thai Capital's* discussion of business.

The economic boom of 1986-96 had expanded and diversified the business class. The Sino-Thai families that controlled the bank-centred conglomerates that had dominated business since World War II saw their influence wane. The stock market became more significant and financial liberalisation offered opportunities to fund businesses free of old-style personal relationship-based banking. The exuberance of the boom created opportunities for new generation business people, many of them sporting MBAs from US and European business schools. When the crisis hit, to many outsiders, including those from the IMF and World Bank, it seemed like an opportunity for getting rid of an "Asian capitalism" they considered an influence-based, family-dominated capitalism, leaving "modern" firms dominant.

There was some of this. For example, the auto industry was essentially sold off to foreign investors during the crisis, and this led to the rapid expansion of exports. Likewise, the rapidly developing hypermarket retail sector was also offloaded to foreign investors who, taking advantage of a devalued baht and reduced property prices, expanded exponentially.

But when it comes to the sectors where domestic business remained strong, this collection shows that the big winners were those who best managed political relationships. Liquor and telecommunications are two examples that show how cash flow and politico-bureaucratic connections were critical to business success. If managing these relationships was too complicated, then taking over the government – as Thaksin did, resulting in super-profits for his Shin Corp – certainly worked. In fact, in both sectors, access to state power maintained and even increased monopolies. These two sectors spawned the richest business families in post-crisis Thailand.

Most disturbing is the description of the enmeshing of political and economic powers emerging from the study of Rayong (Chapter 7). In provincial areas, the use of murder for political and economic ends is maintained as a “last option.” Where “primitive accumulation” remains a significant element of business – fishing, provincial construction, agro-industry, resorts and so on – the use of political power becomes the insurance that permits the use of deadly force.

Where business has moved beyond this violent stage of accumulation, the principal business model is still relationship-based. Thailand’s capitalism remains mired in opaque exchanges, privileged political access and predatory business practices. Political influence and economic power simply cannot be separated.

It is evident that these kinds of arrangements have been given a new lease of life with a post-*coup* political architecture that encourages weak coalition government. These arrangements not only surrender power to the bureaucracy and military, but encourage particularistic policy making, favouritism in government business, horse-trading and pork-barrelling. The return to coalition government after the 2007 election means that corrupt practices in business and politics will continue to provide the transfusions that allow the old men of the past to continue to dominate Thailand’s political and economic landscapes. These old men have fashioned a system that ensures that corruption thrives.

I have some criticisms of the collection. One is that there is a residual nationalist populism in some of the chapters. For example, Natenapha implies that the economic crisis was a US plot advancing the neo-liberal revolution. In fact, the data in her chapter suggest that foreign investors that took advantage of the crisis were from Japan, the EU and Singapore. Likewise, in Veerayooth’s chapter, the inference that Thais and their government should have been more aggressive in opposing giant retailers on the basis that they were foreign needs more detail if it is to be accepted. I also felt that some of Natenapha’s historical statements might have benefited from a closer reading of Skinner’s classic works on Chinese business in Thailand. Chaiyon and Olarn’s comment on the limited impact of the crisis in the provinces (p. 189) appear contradicted by Viengrat’s discussion of Chiangmai in Chapter 8. And, Thanee and Pasuk’s discussion of rents, while interesting and current, retains echoes of “bureaucratic polity” arguments.

But these are quibbles, and this is a book that should be widely read, not just by those interested in Thailand, but by all those interested in tracing the evolution and renovation of capitalism in contemporary Southeast Asia.

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Burma and Japan since 1940: From ‘Co-Prosperity’ to ‘Quiet Dialogue’

Donald M. Seekins (Copenhagen: NIAS Press/NIAS Monograph 106, 2007)

Today it is undoubtedly China that exerts paramount leverage over Burma, just as the military junta faces down stern international criticism for disallowing a return to civilian rule. The plight of Aung San Suu Kyi is illustrative. Yet, as author Seekins