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I. INTRODUCTION

Thailand, which has been an island of relative stability and development in turbulent Southeast Asia, faces serious problems in the 70's. At the crux of Thailand's problems, both external and internal, is China, which is feared generally for its rising influence in Asia, and specifically for its backing of Communist forces in Laos and Cambodia and Communist insurgents in Thailand. A growing and well-organized Communist insurgency supported politically and materially by Peking (and to a lesser degree by Hanoi) via Laos, is currently Thailand's most acute problem.

To contain this threat, Thai leaders recognize that a substantial level of military and economic assistance from abroad, principally from the United States, to Thailand, and to Laos, Cambodia, and South Vietnam, will be needed for some years to come. They also recognize the necessity of accelerating Thailand's economic growth in order to finance increased expenditures for security and development. They may not recognize as clearly the equally important need for more effective governmental administration, more responsive to the needs of the general population and less plagued with corruption. Thus, in foreign policy the Thai seek to continue close ties with the United States, including cooperation essential to continued U.S. air operations in Laos, Cambodia and Vietnam. At the

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same time, the Thai are cautiously exploring the possibility of improving relations with Peking, and of moving to a more neutral position. Thai leaders will be moved to follow the second course to the extent the first is made unviable by reduction in the U. S. role in Asia.

II. INTERNAL SITUATION

A. Political

Thailand's military leaders decided in November 1971 to abandon the country's latest experiment with a limited form of parliamentary democracy. They abolished the 1968 Constitution, the Cabinet and the Parliament and reorganized the Government under a National Executive Council. In the wake of the coup, the reins of power remain more firmly than ever in the hands of the conservative and generally pragmatic military officers who have led the country since 1957. The Chairman of the National Executive Council is Field Marshal (and former Prime Minister) Thanom Kittikachorn. Thanom appears likely over the next year or so to step down in favor of his powerful deputy, General Praphat Charusathien, who has consolidated his own power position in the coup. Provided the transition to Praphat's leadership can be made smoothly - and this appears likely - the prospects over the short run are for continued stability in the top leadership, and for widespread acceptance of that leadership by the public. After Praphat, the succession prospects are less clear, but Thailand will probably remain under the firm hand of the military for the foreseeable future, with the leadership perhaps shifting to some as yet unidentified group of younger military officers within the next five years. Whether the younger leaders will continue the policies of the present generation, or will prove to have the quality of leadership needed to carry Thailand through the problems ahead cannot be foreseen with assurance. Having lived all or most of their lives and served all of their professional career within this system, which rewards them substantially, they will be disposed to continue it, but variables of internal and external pressures as well as of personal leadership qualities introduce uncertainties.

The basic factors of strength and weakness in Thailand remain unaffected by the coup. The King, who is an essential and universally revered symbol of national unity, accepted the coup with some reserve, but may be expected to continue to exert his influence for more effective responsive government. Among the educated public there continues to exist broad consensus supporting the Government and generally agreeing on the directions Thai foreign and domestic policy should take. The majority of the population remain indifferent to politics and up to the present have been reasonably content with their lot within an adaptable social system and moderately prosperous economy. Among the ethnic Thai who constitute over 80 percent of the population, potential elements of discontent - students, intellectuals, former opposition Members of Parliament - are small in number and appear unlikely to organize or coalesce into a political force. They are, however, likely to become

increasingly alienated from a regime that allows no outlet for dissent, and thus less likely to make a positive contribution to national development. The hilltribes in the North, the Vietnamese refugees in the Northeast, and the Muslim/Malay in the South are largely uncommitted to Thai society and policy, and remain potentially divisive forces which can be exploited by Thailand's enemies. By contrast, the local Chinese are steadily assimilating into Thai society and have reaped great rewards from working within the Thai system. Nevertheless, deep-seated suspicions about the basic loyalty of the ethnic Chinese is a strong limiting factor on expansion of Thai contacts with Communist China.

The quality of leadership in the Government is mixed. The top military leaders, having rid themselves of the delays and annoyances of parliamentary maneuvers and party factions, are working within a military/bureaucratic system of command in which they are more comfortable and may well be more effective. However, the weaknesses they have displayed in the past -- indecisiveness, poor coordination, a reluctance to come to grips with the difficult political/economic problems confronting them -- are unlikely to disappear. The impact of the many talented, able, honest technicians in the administration continues to be blunted by an inefficient bureaucracy, and by a political system based on complex interlocking ties of private loyalties and private interests. Thailand may continue to enjoy responsible leadership, but the energetic inspired leadership needed to mobilize the country for development has yet to appear.

B. Economic Trends and Prospects

The Thai economy is marked by uncertainty and some downward trends, a state that is accentuated when comparisons are made with the previous decade of rapid and partly artificially-induced growth. Beginning in 1969 there was an appreciable weakening in the external economic stimuli previously resulting from the Vietnam war and favorable prices for Thai agricultural exports. The Government's policy response from mid-1970 took the form of measures, still in effect, to reduce imports and to increase exports. Considerable success has been achieved particularly in the restraint of imports. Major uncertainty for the future centers on the National Executive Council's ability to marshall the resources and carry out the policy objectives it has announced.

Economic planning for the next five years, as registered in the Government's Third Five Year Plan that went into effect October 1, 1971, projects an average net annual growth rate of roughly seven percent versus the eight percent of the previous decade. Even the achievement of this level will hinge, among other things, on the receipt of over $1 billion in external assistance consisting of loans and grants from the public and private sectors, an amount not easily obtained. Also projected is a decline of only .6 percentage points in a high birth rate currently averaging 3.1 percent annually.

Overall, however, the economic prospects remain reasonably favorable despite the lowered growth targets. The resource potential provided by a productive land and a capable, trainable people has not changed. What is less certain is the effectiveness of the new Government as represented by the National Executive Council in managing and exploiting this potential for national benefit.

C. Internal Security

A growing Communist insurgency is currently Thailand's most acute problem affecting seriously 20 of the 71 provinces. The insurgents number about 6,500 armed "main force" personnel (up about 1,000 in the past year), in addition to their village supporters. They are directed by the Communist Party of Thailand (except for the Malaysian Communist Party activity on the southern border). Both Parties follow Maoist doctrine closely and are responsive to Peking, though their policy appeals follow internal themes, and foreign advisors are not known to have operated on Thai territory. The Malaysian Communist Party is mostly Chinese, with some Malay units; the Thai insurgents are ethnic Thai with some Sino-Thai leadership (in the North much of the armed rank and file are Meo hill people). In all regions Communist terrorist armed units have concentrated on attacking small government units, assassinating village leaders, ambushing vehicles, and armed propaganda. The number of individual assassinations exceeded 200 in 1971. However, the ultimate aim of the Party is political, and in the cradle of the insurgency, the mountains of the Northeast, Communist control has been established in about 175 villages.

The Government response has attempted to develop in the nation's administrative, economic, law enforcement and military posture in the rural frontier areas affected by the insurgency, and has pushed into prominence many younger well-trained officials. U.S. military and economic assistance -- and our advice -- has concentrated on developing a balanced Thai civil/police/military response to the insurgency, in which Thai self-reliance has first priority. U.S. and Thai policy proscribe the participation of U.S. personnel in combat or tactical/operational planning. Although the RTG capability to react will continue to improve gradually in the next few years, it is not keeping pace with the increase in insurgent strength. A higher level of Thai effort will be needed in the future with concomitant budgetary and manpower burdens on the society and economy,

III. EXTERNAL

A. Prospects in Foreign Policy

The dominant foreign policy problem for Thai leaders is China. They fear its influence will rise in Southeast Asia and that the American role will concurrently be reduced. For the Thai, China is a formidable triple

threat -- in its support for Communist efforts to conquer neighboring Laos and Cambodia, in its sponsorship of insurgency in Thailand, and in its potential influence over Thailand's Chinese community. The present Thai leaders are following a two-track diplomacy, seeking continuation of close security and other ties with the United States, while cautiously exploring the possibility of a new relationship with Peking and Hanoi and of moving toward a more neutral status. This second track, which was relatively active when Thanat Khoman was a prime mover in the foreign affairs field and is now somewhat in abeyance, will be followed to whatever extent is considered necessary by movements in United States policy toward Southeast Asia. The key factors affecting that policy will be the success or failure of Vietnamization and the Nixon Doctrine in Indochina, and the level of military and economic assistance the U.S. continues to provide Southeast Asian countries, particularly Thailand. On both counts, the confidence of Thai leaders has been somewhat shaken by the strength of Congressional opposition to further U.S. involvement in the region.

The focus of Thai concern is the Indochina war and especially the war in Laos. The control of Laos by North Vietnam, and the unrestricted use of Laotian territory and the network of roads and trails developed by the North Vietnamese and the Chinese in Laos, would vastly increase the insurgent threat in North and Northeast Thailand. Thailand has thus far supported the U.S. effort in Indochina by allowing the U.S. to conduct logistic and air operations from Thai military bases, by supplying troops to the allied effort in Vietnam, and by allowing Thai nationals to serve as volunteers with Lao irregular forces. The use of Thai bases for air support operations, and Thai volunteers, are considered essential for the RLG to continue its resistance to NVN/Pathet Lao forces.

For the present, Thai leaders appear willing to continue their support for an Indochina war in which they perceive the interests of Thailand and the United States are similar. If they should perceive the U.S. as unwilling or unable to continue the level of assistance to Laos, Cambodia and Thailand necessary to protect basic Thai interests, they would probably determine that continuing Thai cooperation would involve unacceptable risks for Thailand without compensating security gains.

Thailand places increasing importance on regional cooperation and ties with neighboring countries. Thailand is a member of SEATO, although it tends to see the advantage of membership primarily in terms of the defense commitment of the United States. Thai leaders have accepted as a general long-range objective the Razak proposal for neutralization of Southeast Asia, but with a skeptical eye on the prospects for adequate guarantees which they regard as essential. Regarding effective regional security arrangements as a distant goal, Thailand concentrates on trying to build political consensus within Southeast Asia in order to give the countries of the region a stronger voice in the world arena. For this purpose the preferred forum is ASEAN (Association of Southeast Asian Nations). At the same time, Thailand plays a leading role in the expanding regional organizations promoting cooperation

economic, social, and technical fields. ECAFE is the oldest and largest of these regional groups, and since moving its headquarters to Bangkok in 1949, has served as the nucleus around which certain sub-regional organizations and organizations addressed to specific regional problems, have gravitated. The facilities and statistical analysis that ECAFE provides should continue to attract other sub-regional organizations to Bangkok.

Thailand's major trading partner and foreign investor is Japan (in 1970 imports from Japan accounted for over one-third of total imports). While the Thai welcome Japanese goods and capital, they resent the aggressive commercialism of Japan's tactics in the economic field. Thai leaders also recognize the possibility of Japan's playing some role in future Southeast Asian security arrangements, but they are uncomfortable with the thought of any such arrangement in which the United States does not play a major role. Thailand cultivates good economic and political relations with Western European nations, and would welcome more active involvement on their part in Asian affairs.

The past three years have brought a marked upswing in Soviet and Eastern European activity in Thailand. Largely as a result of Communist initiatives, Thailand has signed trade and aviation agreements with the Soviet Union, has agreed to several small cultural exchanges with the USSR, and has accepted several trade missions from other Eastern European countries. These trade overtures, and a high-level Thai trade mission sent to Eastern Europe in 1971, have thus far produced modest results in trade and investment. However, Thai leaders, while willing to explore the benefits of closer relations with Eastern Europe, remain suspicious of Communist intentions.

B. Thai-United States Relations

Thailand and the United States are linked by a mutual security commitment through SEATO, a bilateral Treaty of Amity and Economic Relations, agreements covering military assistance and economic and technical cooperation, and a memorandum of understanding on narcotics. In practice, the two countries have been bound even more closely over the past 20 years by a policy of close cooperation over a wide range of Asian and world problems. As a result, there remains in Thailand a strong reservoir of goodwill toward Americans and generally a sympathetic view of American world leadership and policies. Nevertheless, the Thai fear a gap between the policy the Nixon Administration intends to follow in Asia and that which domestic pressures will allow it to carry out.

Military Assistance. Thai leaders have made clear their view that increased levels of military assistance will be needed if Southeast Asia is successfully to carry out responsibility for its own defense as foreseen under the Nixon Doctrine. For 1973 and 1974, military assistance to Thailand is projected at a planning level of $60 million per year, a level which is acceptable to the Thai. In addition, agreement has nearly been reached on a special $15 million MASF add-on which is intended to strengthen Thai

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defense capabilities without weakening economic development programs. This agreement includes commitments on Thailand's part to improve the capacity of its forces in counterinsurgency and external defense and to commit additional forces to counterinsurgency operations. However, in FY-1973 military assistance for Thailand will cease to be service-funded from the Department of Defense budget, with the possibility that the program level may be reduced.

Military assistance is directed mainly at improving Thai counterinsurgency efforts. With some 60 percent of the MAP total consumed by O and M costs, the Thai are being encouraged to pay a greater share of the cost of consumables.

Economic Assistance. Thai leaders also fear the impact of U.S. Congressional pressures on funding for economic assistance programs. The assistance program in Thailand is aimed at reinforcing Thai counterinsurgency efforts through public safety and rural development programs, and at assisting the RTG with budgetary and foreign exchange problems caused by the decline in prices of agricultural exports and in U.S. military expenditures. The basic program, over the next several years, will consist of (a) selective assistance to counterinsurgency programs of the Thai National Police Department, Accelerated Rural Development, and related activities; (b) increased aid to institutional and developmental projects in education, private enterprise, family planning, and productivity and diversification problems of agriculture; (c) agricultural sector assistance providing local currency funds for farmer and cooperative credit and budgetary support; (d) capital projects for political and social benefit which are not likely to be financed by international lending agencies. In addition, the economic assistance program will include a PL-480 program of $30 million for FY-1972/73 and a new program to help the RTG counter the narcotics traffic and assist hilltribe opium growers to find alternative means of livelihood.

Military Presence. The U.S. military presence in Thailand has been reduced from a high of 48,000 in 1969 to about 32,000 in 1972, most of them involved in air operations over Indochina conducted from five major Thai bases. The Thai have accepted the U.S. presence with a minimum of friction, but with some concern on the part of more conservative Thai for the impact on Thai traditions and society. Although efforts to negotiate a SOFA failed, the RTG has on the whole accommodated U.S. requirements on taxes, jurisdiction, etc. on the basis of informal agreements and a flexible interpretation of Thai regulations. For the present, there is no pressure from the Thai to reduce the American military presence. However, the Thai have been extremely sensitive to criticism of Thai cooperation in the Indochina war by anti-war elements in the United States -- criticism which appears likely to increase as the withdrawal from Vietnam leaves Thailand the focal point for U.S. operations connected with the war.

Economic Issues. U.S.-Thai economic relations are favorable on the whole although specific issues exist. Sharp Thai criticisms of U.S. sales of rice to Indonesia on concessional terms have been quieted by U.S. and Indonesian conciliatory measures plus improved rice exports, but the dissatisfaction remains even though currently in latent form. The textile issue

remains unsolved but the pending resumption of negotiations gives some promise of a settlement. The U.S. objects to Thailand's restrictive policies in civil aviation and would like to see the removal of additional obstacles to foreign private investors.

Direct American investment in Thailand totals $175 million, mostly in petroleum, mining, manufacturing, commerce, and services. The U.S. is Thailand's second largest trading partner; in 1970 Thailand imported $193 million from the U.S. (total imports were $1,270 million) and exported $95 million (total exports $685 million). The coup of 1971 may have exerted at least a temporary restraining influence on American investors interested in Thailand, but NEC economic policy announcements have been favorably received by the American business community. Private foreign capital continues to be welcomed by the new power group, although implementing actions have yet to be taken. The basic attractions of the Thai economy based on land, location and people remain unaltered.

Narcotics. Much of the focus of the U.S. campaign to eliminate the illicit production and trafficking in narcotics is now on Southeast Asia. Although Thailand is a major transit route for Burmese, and to a lesser degree Laotian opium/heroin, domestic opium poppy production is estimated at 200 tons or less. Opium is produced almost entirely by northern hilltribes, for whom it is the principal cash crop. Attempts to end opium production before viable economic alternatives are provided to the hilltribes would increase their receptivity to Communist insurgents active in the area, and thus would complicate the RTG's development and security problems.

The U.S./Thai Governments, through a Memorandum of Understanding on Narcotics signed in September 1971, are committed to joint action on all facets of the narcotics problem. The two governments have initiated a crash program to improve RTG capability to move against traffickers, and against any storage areas or refining operations on Thai soil. The RTG also has signed an agreement with the United Nations to provide assistance to RTG projects to develop substitute crops to replace opium cultivation among the hilltribes.

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