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SUBJECT : FY-74 PARA:Annex I, Thailand Background Statement

REF : (A) State A-11748; (B) State 220070; (C) CERP 0001, Annual Policy Assessment; (D) Bangkok A-67, Feb 22, 19

This airgram transmits Annex I, Thailand Background Statement, for the FY-74 PARA Program, as requested by Refs A and B. Ref D was our Background statement for FY-73.

I. GENERAL BACKGROUND

Thailand has since World War II enjoyed a period of relative stability unique among the nations of Southeast Asia. Thailand has a high degree of ethnic, linguistic and religious homogeneity, and a widespread reverence for the monarchy; these are strong cohesive forces in the society. Political power in Thailand is based on control of military forces and standing within the military hierarchy, and the current military/political leadership has been in undisputed control for the past 15 years. Succession to the position of Prime Minister will likely take place within the next few years, and it is most likely to occur as a result of a consensus agreement among the current leaders, without any serious

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disturbance of governmental stability.

The most acute problem affecting Thailand's security and stability is a growing communist insurgency which is supported politically and materially by both Hanoi and Peking. Although the insurgency has established control of several base areas, mainly near the Laos border, it does not yet threaten the populated areas of Central Thailand. To prevent further spread of the insurgency, the Thai will have to improve their coordination of counterinsurgency efforts, address them more specifically to the actual threat, as well as make increasing manpower and budgetary commitments.

Because of their deep concern over the outcome of the Vietnam war, the Thai, at some risk to their security, have allowed the U.S. to conduct logistic and air operations from Thai bases, and have assisted the war effort in Indochina in a variety of other ways. Some of these activities could not have been carried out, or only at far greater expense, from any other base area. Present indications are that the Thai will wish to retain some level of U.S. forces in Thailand for a period following an Indochina ceasefire. However, if at any time Thai leaders should perceive the U.S. as merely using Thailand while it extricates itself from Vietnam with no longer-term interest, or as unwilling or unable to continue the level of assistance necessary to enable the Thai to defend themselves, they might determine that continuing cooperation with the U.S. would involve unacceptable risks for Thailand without compensating security gains. We might then be denied strategic options based on Thailand, including facilities and privileges we may wish to retain in the post-Vietnam period.

II. INTERNAL AFFAIRS

A. Political

On December 15, 1972 the King promulgated an interim constitution, and during the following few days a 299-member National Legislative Assembly was appointed and a 28-man Cabinet named. Thus, a new period of constitutional rule was ushered in after a hiatus of some thirteen months under National Executive Council (NEC) rule. Work has not yet begun on a new permanent constitution but it is expected to

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begin soon. Although the Cabinet is numerically dominated by civilians the reins of power remain firmly in the hands of the conservative and generally pragmatic military officers who have led the country since 1957. The Prime Minister is Field Marshal Thanom Kittikachorn, who was formerly Chairman of the NEC and, from 1963 until 1971, Prime Minister.

Thanom appears likely over the next year to continue the gradual transfer of power (which characterized the NEC period) to his powerful Deputy Prime Minister General Praphat Charusathien. He is expected to relinquish the position of Supreme Commander of the Armed Forces, though not necessarily the prime ministership, to Praphat. The decline in power of former Police Director General Prasert Ruchirawong, the addition of Prasert's powers to those already held by Praphat, and Thanom's apparent willingness to relinquish power to Praphat make it appear likely that a transition to Praphat's leadership can be made smoothly and that his leadership will be generally accepted. However, after Praphat the succession prospects are less clear. General Krit Sivara, Praphat's powerful Deputy CinC of the Royal Thai Army (now also Minister of Industry) clearly emerged as number three in terms of power during the NEC period. However, it appears questionable whether Krit will ever attain the prime ministership if Praphat desired to hold on to the job and his health permits him to do so. In any case Krit will in all probability rise to higher positions in the army and in the government.

After Praphat/Krit, leadership will likely pass on within the next five years to a new group of military officers generally 10 years younger than the current leadership. While the new leaders cannot be identified with any certainty, one man to watch is Brigadier General Chartchai Chunhawan, the newly appointed Deputy Foreign Minister. Chartchai is a member of one of Thailand's leading families which enjoyed great power during the Pibunsongkram era. He has great personal wealth, extensive connections in the military including membership in the largest and one of the most successful cadet classes, and is close to the Kittikachorn family. However, Chartchai has only recently returned from 15 years abroad as an Ambassador (in effect political exile after the 1957 coup) and it will be difficult for him effectively to rebuild his position in the army. Through help from his

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classmates, however, plus the friendship and support of General Krit Sivara, he could rise to top positions. 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 any assurance.

The basic factors of strength and weakness in Thailand remain largely unaffected either by the coup of November 17, 1971 and the resultant period under NEC rule or by the December 15, 1972 return to constitutional rule. The King continues to be an essential and universally revered symbol of national unity. During the NEC period the King tended to play a somewhat passive role. However, the return to constitutional rule emphasized the monarch's powers as Chief of State, and his ability to effect the reversal of an unpopular decree concerning the judicial branch as a quid pro quo for his promulgation of the interim constitution shows him to be a force to be reckoned with on the Thai political scene.

Among the educated public there continues to exist a 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 which has considerable upwards mobility in the bureaucracy and a moderately prosperous economy which has taken a decided turn for the better over the last year. Among the predominantly Buddhist ethnic Thai who constitute over 80 per cent of the population, potential elements of discontent--students, intellecturals, and former opposition Members of Parliament--are small in number and appear unlikely to organize or coalesce into a political force. However, recently students have shown signs of becoming a more active element on the political scene, and following on some limited successes could move toward activities with a more definite anti-government tone.

The hilltribes in the North, the Vietnamese minority 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,

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deep-seated suspicions about the basic loyalty of the ethnic Chinese continue to act as a brake on expanding Thai contacts with the People's Republic of China.

The quality of leadership of the Government is mixed. The top military leaders at the helm of the country today, during the NEC period and with virtually absolute power showed themselves subject to the same weaknesses as in the past--indecisiveness, poor coordination, a reluctance to come to grips with the difficult political/economic problems confronting them. Under the present constitutional-cabinet form of government these problems seem equally unlikely to disappear. The impact of the many talented, able, honest technicians in the administration shows all likelihood of continuing to be blunted by an inefficient bureaucracy, and by a political system based on complex interlocking ties of private loyalties and private interests.

However, Thailand unlike many other countries in the region, does have a considerable margin both in economic resources and in general acceptance of the government by the governed. Whether or not the next generation of leaders will have the energetic, inspired leadership needed to meet the country's basic problems before this margin is exhausted can only be guessed at this time.

B. Economic

The Thai economy entered 1973 after a year of general but uneven economic expansion influenced by a severe drought in important rice and corn growing areas, a strong demand for most Thai agricultural products and relatively vigorous economic policy making through the issuance of decrees by the now defunct National Executive Council.

Fortuitous external developments during 1972, in particular the world shortage of rice, created a strong demand and favorable prices for Thai agricultural products. Because of the dominant role of the agricultural sector, the economy as a whole benefited from the improvement in agricultural incomes. The previous downward trend in the balance of payments was reversed and once again Thailand's foreign exchange reserves began to expand until they exceeded one billion dollars by the end of 1972. Nevertheless, growth

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rates for the year were substantially below the target of the Five Year Plan. Stimulatory developments that will influence 1973 include a more expansionary fiscal policy in the form of a budget adopted in October that was nine percent higher than for 1971.

The major economic uncertainty for 1973 hinged on the consequences of the drought which had caused lessened yields for both rice and corn. There was uncertainty over the final results because of the delayed harvest for rice. However, a partially compensating factor for the smaller output was the more favorable price that was expected to prevail at least through 1973. By contrast, the damage to the corn crop was conclusive and could not be remedied until the next harvest in late 1973.

Prospects for foreign private investment were also marked by uncertainty at year's end. The long standing attractions of Thailand of space, location, plentiful labor supply and government inducements were offset at least for a time by uncertainties created by nationalist tinted decrees on alien business, alien occupations and the regulation of finance and security companies. Implementation of all three will take place under a new cabinet and appointed parliament under continued military control.

C. Internal Security

A growing communist insurgency affecting 20 out of 68 provinces is Thailand's most acute problem. The insurgents of the Communist Party of Thailand (CPT) number about 5,500 armed regular forces (up about 10% over last year's minimum estimate), in addition to village supporters. The Communist Party of Malaysia (CPM) has about 2,050 armed regular forces in the Thai-Malaysia border area, directed towards Malaysia and not considered an important internal threat to the RTG at this time.

Both the CPT and CPM follow Maoist doctrine closely, and as far as broad policy themes are concerned are considered responsive to Peking. (The CPT is increasingly directed by its jungle-based leaders, however.) Policy appeals by both parties follow internal themes, such as RTG "subservience to U.S. imperialism."

Communist terrorist activity in rural areas has steadily increased over the past few years and concentrated on armed propaganda,

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supply missions, attacks on small government units and outposts, assassinations and ambushes. However, the ultimate aim of the CPT is political. CPT infrastructure is strongest in the Northeast where about 200 villages comprising almost 100,000 people in the Phu Phan mountain area are under varying degrees of communist control. The stronger military-based insurgency in the North poses a more serious immediate security problem for the RTG, however.

North Vietnamese Communist Party cadre wield some influence over many of the 40,000 (very rough estimate) ethnic Vietnamese in Northeast Thailand. North Vietnamese sapper teams operating out of Laos are believed to be responsible for the half dozen light sapper attacks against U.S.-tenanted bases in Thailand. While the RTG in its external base defense role has done well in limiting the effect of these attacks thus far, the bases remain vulnerable to heavier or more sophisticated attacks. The CPT insurgents have not thus far attacked U.S. installations nor have they made a policy decision to do so. However, they have the capability to mount minor harassing attacks.

Hilltribe personnel from China with People's Liberation Army experience--numbering perhaps as many as 200--were reportedly infiltrated into North Thailand in August 1971. They are reportedly functioning both as advisers and as participants in combat, supply and political/organizational missions.

In response to the insurgent threat, the RTG has attempted to develop 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. assistance--and 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 prohibit the participation of U.S. personnel in combat or in tactical/operational planning. Although the RTG counterinsurgency capability will continue to improve gradually in the next few years, it is not keeping pace with the increasing insurgent strength and capabilities. A higher level of Thai effort will be needed in the future with concomitant budgetary and manpower burdens on the society and economy. Because of this--and because of what the Thai believe will be continued

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instability in the Indochina area--the RTG will expect a continued high level of foreign aid.

III. EXTERNAL AFFAIRS

A. Major Foreign Policy Issues

Thailand can anticipate that the coming year (perhaps even the coming few months) will see political and military changes in Southeast Asia which will profoundly affect Thailand's future. Many, if not most, senior Thai officials believe that the cessation of hostilities in Indochina will release North Vietnamese energies and manpower which, especially if coupled with the establishment of cooperative regimes in Vientiane and Phnom Penh, would result in the North Vietnamese greatly increasing their support of the insurgency in Thailand. Thus the Thai consider it vital for Thai security that the Indochina peace settlement result in non-communist governments in Vientiane and Phnom Penh which are in sufficient control of their own territory to form a barrier or partial barrier to infiltration from North Vietnam and China in support of the Thai insurgency. This in turn, they believe, is related to the struggle between the GVN and the DRV--if Hanoi controls the south they will, the Thai believe, almost certainly control Laos and Cambodia as well.

The Peoples Republic of China represents another important source of concern for Thailand, and a challenge to Thai diplomacy in the coming months and years. Following the PRC's entry into the United Nations, President Nixon's visit to Peking, and China's movement toward more normal state-to-state relations with the rest of the world, Thailand has made its own moves toward developing an amicable relationship, and perhaps ultimately an accommodation, with the PRC. A Thai ping pong team visited the PRC in August-September 1972, and a Thai official accompanying the team opened a dialogue with senior Chinese leaders, including Chou En-Lai. In October, the Thai sent a delegation to the Canton Trade Fair.

However, the Thai are fully conscious of the threat to Thailand posed by current Chinese support of the insurgency in North Thailand, and the potential threats in the form of the Chinese roads in Northern Laos, Chinese support of the BCP (White Flag) in Burma, and the possibilities for subversion among the ethnic Chinese minority in Thailand. We expect that the movement toward a new relationship with China will take a number of zigzags, and will stop short (at least within the next year) of diplomatic recognition of the PRC.

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Thailand attaches increasing importance to regional cooperation. Thailand is a member of SEATO, although the Thai tend to see the advantage of membership primarily in terms of the defense commitment of the United States. Regarding purely regional arrangements as having very little potential in the security field, 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 the Association of Southeast Asian Nations (ASEAN). Thai leaders have accepted in principle the Malaysian proposal for neutralization of Southeast Asia, but they clearly regard neutralization as a goal for the future which can be achieved only after Peking and Hanoi have altered their policies toward Southeast Asia. There has been talk at various times of the possibility of including North Vietnam in a post-war meeting or grouping of nations, and it appears quite possible that Thailand may, following a ceasefire in Indochina, associate itself with an ASEAN or other Southeast Asian effort to bring Hanoi into regional meetings or some other form of collective contact with the other nations of the area.

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.

For many years, the RTG has been prepared to agree to virtually any reasonable request we have made in the military or security field, for the simple reason that they saw U.S. goals in Southeast Asia as consistent with their own. Thailand has supported the U.S. effort in Indochina by allowing the U.S. to conduct logistic

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and air operations from Thai bases, by supplying combat troops to the allied effort in Vietnam (withdrawn in February 1972), and by allowing Thai nationals to serve as volunteers with Lao forces. There is a growing feeling among some Thai that these activities constitute an incentive for terrorist infiltration and attacks, and that the continued use of Thai bases by the USAF for prosecution of the air war, or for maintenance of a retaliatory capability to enforce the peace, could eventually result in some form of more serious retaliation from North Vietnam. However, although they view the possibility of NVN retaliation very seriously, Thai leaders have thus far determined that Thailand's long-range interests are best promoted by supporting U.S. efforts to bring the war to an end on a satisfactory basis.

Following a ceasefire in Indochina, Thailand will be our only remaining Southeast Asia mainland base area, and present indications are that the Thai will wish to retain some level of U.S. forces in Thailand for a period following a ceasefire. However, if at any time Thai leaders should perceive the U.S. as only using Thailand while it extricates itself from Vietnam, with no longer-term interest, or unwilling or unable to continue the level of assistance necessary to protect basic Thai interests, they might determine that continuing Thai cooperation would involve unacceptable risks for Thailand without compensating security gains. We might then be denied strategic options based on Thailand, including facilities and privileges we may wish to retain in the post-Vietnam period.

In any case, as differences in U.S. and Thai national goals become more pronounced, the Thai will begin to look on individual aspects of the U.S. presence more critically, and especially to take an increasingly hard look at our requests for facilitation of new activities which do not relate directly to Thai security. Confidence will be the key to continued cooperation--confidence in a continuation of U.S. support, in terms envisioned in the Nixon Doctrine, at levels sufficient to enable the Thai to defend themselves, and confidence that the United States has an interest in Thai security which will not end with the achievement of a ceasefire in Indochina. Reductions of U.S. military assistance, or changed conditions which have the effect of reductions in assistance levels, would seriously undermine that confidence.

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Military Assistance is directed mainly at improving Thai counterinsurgency efforts, and toward facilitating Thai defense logistic self-sufficiency.

For FY-73 and FY-74, military assistance to Thailand is projected at a planning level of $60 million per year, a level which is acceptable to the Thai. However, sharp cuts in the FY-73 assistance level (to about $38 million) are currently being contemplated in Washington. The Mission believes this would raise serious difficulties in our relations with Thailand. In FY-73, military assistance to Thailand ceased to be Service-funded--as had been the case from FY-68 through FY-72--with additional adverse implications for the level of the military assistance program and a marked loss in program flexibility.

Economic Assistance: In recent years the economic aid program in Thailand has focused largely on building up Thai counterinsurgency efforts through public safety and rural development programs. With the building up of considerable Thai capacity in this area, the US over the next several years will continue to provide selective assistance on a gradually diminishing basis to the Thai National Police Department, Accelerated Rural Development and related activities. It will pay increased attention to institution-building in areas which can contribute to Thai ability to sustain efforts in the counterinsurgency field as well as in economic development more broadly. Particular attention will be paid to agriculture, private enterprise, family planning and new approaches to education. The PL-480 Agreement signed in March 1972 will be implemented in 1973 and 1974, with local currency proceeds to be used for agricultural and agri-business credit programs. New projects providing assistance in the narcotics-control field are stimulating the Thai to give more attention to countering the narcotics traffic and to begin planning more organized methods of assisting hilltribe opium growers to find alternative means of livelihood.

Military Presence: Most of the U.S. forces in Thailand are directly or indirectly involved in air operations over Indochina conducted from seven Thai air bases. The U.S. force level was reduced from a high of 48,000 in 1969 to 32,200 in 1971. Following the North Vietnamese invasion of South Vietnam in March-April 1972, the

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number was again increased, and now stands at about 44,000. Of the seven Thai bases, one (Nam Phong) was used for U.S. air operations for the first time following the NVN Easter offensive in 1972, and another (Takhli), from which we had ceased combat operations in late 1970, was re-opened at that time.

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 thus far 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.

However, there is a growing feeling among some Thai that the continued U.S. military presence may jeopardize Thailand's possibilities for future good relations with Hanoi and Peking. Former Foreign Minister Thanat Khoman and former Dean of the Economics Faculty at Thammasat University, Puey Ungphakorn, both of whom command a considerable amount of respect in certain student and intellectual circles, have recently been critical of the continued U.S. military presence in Thailand--Thanat in a newspaper article in which he pointedly referred to successful student pressures on other matters, and Puey in an open letter which has circulated on Bangkok campuses. University students are becoming more active politically, and some observers believe that they, perhaps encouraged by the likes of Thanat and Puey, could turn to activities with a strong anti-American tone.

So far Thai leaders have continued to judge that Thai interests are best served by facilitating a continued presence of U.S. forces in Thailand. However, if they should at any time become convinced that Thanat and Puey are right, or if a sizeable segment of Thai public opinion were to espouse these beliefs, we might be faced with a very different situation with respect to our continued use of Thai territory for peacekeeping operations and a variety of other uses which would be difficult or impossible to relocate elsewhere.

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Economic Issues: By the end of 1972 there were no serious public issues of importance in bilateral relations between Thailand and the U.S. Favorable markets for all the rice Thailand could make available, negotiation of a textile agreement in March 1972 and a US rubber stockpile disposal program that incorporated producer country suggestions were mainly responsible for this apparent calm in bilateral relations. Beneath this smooth surface, however, informed Thais without exception remain critical of the US rice disposal policy under PL 480 as unjustified for a developed country such as the US and a continuing potential threat to Thai traditional markets.

For the US and the foreign community at large several issues remain. Stated broadly, there is a growing nationalistic approach to foreign investment. The most concrete manifestation of this developing sentiment is the Alien Business Law that was decreed in early December with the object of reserving additional economic activities to Thai companies and of requiring a Thai majority for a specified list of joint ventures. Some of the specific benefits, and even the spirit, of the Treaty of Amity and Economic Relations with the US have been brought into question as a result. The Alien Occupation Law, decreed on almost the last day of the NEC, has added further confusion to the investment climate, although in the long run it may not be unduly bothersome to investors. Student demonstrations against the Japanese economic presence and the trade imbalance with that country were still another manifestation. Longer standing and more specific issues for the US range from capacity restrictions on American airlines to unwillingness so far to provide copyright and patent protection.

Narcotics: Despite increased enforcement efforts Thailand continues to be a major trafficking route for narcotics originating from the Golden Triangle area, and narcotics suppression is high on the list of RTG priorities. Since the signing of the Joint Memorandum of Understanding on Narcotics in September 1971, the US and Thai governments have worked closely in strengthening the Thai narcotics police organization and in sharing information leading to arrests and seizures.

A number of major seizures were effected in 1972 with the

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establishment of the US-supported Special Narcotics Organization (S.N.O.) in North Thailand, designed as a mobile strike force to interdict trafficking routes. In addition to the work done by the narcotics police, increased efforts by all branches of the police resulted in a series of significant seizures toward the end of the year.

The retirement of Pol. DG Prasert Ruchirawong and the subsequent takeover of the police by Gen. Praphat in October 1972 brought a police reorganization that strengthened the position of a number of key senior officers who continue to make a major contribution to the anti-narcotics effort, and the departure of a number of corrupt officers who had used their positions to shakedown alleged traffickers.

The RTG/UNFDAC crop substitution program to replace hill-tribe poppy growing with other crops continues to be an integral part of the narcotics control effort. After considerable bureaucratic difficulties the UN Office now appears ready to implement this project--a long term effort that is expected to show results in five to ten years, although US mission intentions are to accelerate this timetable by providing assistance in key areas as needs arise.

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