

The Thaksin Shinawatra Group: A Study of the Relationship between Money and Politics in Thailand

UKRIST PATHMANAND

Abstract

Thaksin Shinawatra is a successful Thai business tycoon who has become extremely wealthy within the last fifteen years from investment in telecommunications and lately also in mass-transit infrastructure. He entered politics in the mid-1990s and became a party leader and minister in several governments. Through a study of Thaksin's business career and his political involvement I intend to illustrate how Thai politics functions in practice, as well as to highlight the intimate links between money and politics in Thailand, particularly in the telecommunications sector. During the economic boom the telecommunications sector was characterised by substantial profits and stiff competition, but after the economic crisis in July 1997 the Thai telecoms firms sustained heavy losses. In a surprise move the two biggest telecommunications conglomerates—Shinawatra and Charoen Phokapand—announced that they would merge some of their telecommunications firms, thereby creating one of the biggest concentrations of assets in Thailand and at the same time a *de facto* monopolisation of the telecommunications market. As if that were not enough, Shinawatra, together with his former arch-rival, has launched a new political party—Thai Rak Thai [Thai loves Thai]. This move may have profound implications for the development of Thai politics.¹

Introduction: Post-war development of Thai capital groups

Before studying Thaksin Shinawatra, his business empire and political involvement in detail, I shall give an overview of the development of business and capital groups in Thailand. For this purpose I shall rely on two texts written by Akira Suehiro (1989, 1992) where he characterises and describes the development of Thai capital groups from World War II to the 1980s. Akira divides Thai capital in this period into three groups: banking capital, industrial capital and the agri-industry capital.

- *Banking capital.* The withdrawal of foreign banks, high inflation, and the end of Japanese influence in Thailand at the end of World War II provided an opportunity for the appearance of five new overseas Chinese banks.² According to Suehiro, the critical element in the success of these banks was their special relationship with powerful bureaucratic and military factions.

- *Industrial capital.* Suehiro's study of twenty-two industrial groups during the 1960s and 1970s shows that the privileges extended to them by the Board of Investment of Thailand facilitated a high level of protection, and eventually transformed them from importers of products such as automobiles, petroleum, steel and garments to manufacturers of the same products.

- *Agri-industry capital.* According to Suehiro the purchase of foreign technology was significant for the growth of agri-industry groups throughout the period 1970-80, exemplified by the giant company Charoen Phokapand (CP), which purchased tiger-shrimp feeding technology from the Japanese Mitsubishi Corporation and crop development technology from American Dekalp Agroresearch.

There were other conditions which were relevant for the emergence and development of Thai capital:

- The investment promotion and import substitution policy, incorporated in Thailand's first three national economic plans, were protectionist measures that assisted local Thai industry in the 1960s and 1970s (Hewison 1989: 37).

- A business promotion credit system in the 1960s also aided the development of Thai capital groups. The Industrial Finance Corporation of Thailand (IFCT),³ which worked closely with the Board of Investment and the Industrial Promotion Department, was a major public soft-loan lender to many private companies. The majority of credit borrowers in much of the private sector took low-interest loans and purchased foreign currency from the IFCT rather than from foreign banks.⁴

- Government policy towards labour organisations was favourable to local and foreign entrepreneurs, which resulted in weak labour unions and low wages. (Chamlong 1964: 44-45).

This categorisation and characterisation of capital groups and the conditions that favoured capital growth in Thailand provide a clear picture of the path of development followed by banking, industrial, and agri-industrial capital groups in the 1950-80 period. However, in the 1990s this analysis of the Thai capital system became inadequate because several new factors opened up new opportunities for investment.

First, from the 1980s, a series of technological innovations in the micro-electronics field created a large number of new computer, telephone, and television products. The international developers of these technologies were generally prepared to sell these new advances on the open market. Also, from the 1980s, the Thai government opened up telecommunications projects to privatisation (Sakkarin Niyomsilpa 1995; Pasuk and Baker 1995: 164). Consequently capital groups, such as the Vilailuck family, Samart group, UCOM group, Jusmin International, Telecom Asia (CP group) as well as the Shinawatra group seized this opportunity and became prominent telecommunications groups both in Thailand and the region, expanding their business linkages to Indochina, the Philippines, Indonesia, Burma, India and China (Pasuk and Baker 1995: 165). These groups, then, provide a useful focus for the purposes of this study. Another factor is the involvement of the main capital groups in the many large-scale, mass-transit projects designed to alleviate the acute traffic problem in Bangkok.

Both the telecommunications and mass-transit projects are in the hands of public authorities and are ultimately administered by various ministries. Political connections have become of paramount importance to secure access to these projects, and thus a political involvement has become a *sine qua non* for the competing capital groups. This can be exemplified by the telecommunications tycoon Thaksin Shinawatra, who entered politics in the mid-1990s, becoming a party leader and minister in several governments. Lately, he has even established his own political party together with his previous competitor. Thus Thaksin Shinawatra well illustrates the interrelationship between the telecommunications business, mass-transit projects and politics in Thailand.

The above factors have since the mid-1980s been facilitated by the booming economy, as well as by state privatisation and liberalisation policies.

1987-96: A booming stock market and privatisation

The year 1987 was an important period of transition for the Thai economy. In spite of the fact that Thailand in 1984-86 had experienced economic stagnation, the conservative financial policy of the Thai government brought major monetary savings and effected a reduction in foreign debt. Thus the government budget eventually balanced in 1987-88. Because of the balanced budget, new opportunities emerged. The higher valued Japanese yen, Korean won and Taiwanese dollars stimulated the flow of industrial factories from these countries to the lower production-cost countries in Southeast Asia. From 1987-90 Thailand became a favourite country for industrialised nations that wished to relocate their factories. The aforementioned factors resulted in a ten to twenty-fold increase in the asset value of both real estate and corporate shares. Due to the influx of money, the economy continued to grow and many Thais became wealthy. Simultaneously, a political strengthening by the

new Prime Minister, Chatichai Choonhavan, further boosted incremental asset value through open economic competition.

This significant economic change stimulated demand and encouraged bureaucratic initiatives towards adjusting long-term policies, such as:

- To develop the SET (Stock Exchange of Thailand), which had a duty to secure the continuation of economic growth in order to enhance the domestic capital market.

- To privatise state enterprises, although this proved a more problematic task: some people maintained that state enterprises were too inefficient to serve the economic growth of the country, while others thought them too important to release from state control.

The revitalisation of the SET and the privatisation policy became new foci of monetary power. Money is an inevitable key to political success, and political success in its turn stimulates business opportunities and more money.

Liberalisation of telecommunications

The emergence of non-state telecommunications business in Thailand became a reality because of the gradual deregulation of the telecommunications sector since 1988, which up to then had been monopolised by state agencies, such as the Telephone Organization of Thailand (TOT) and the Communications Authority of Thailand (CAT).

According to Sakkarin's study, the telecommunications regulatory reform since the mid-1980s has passed through two phases, each with a rather distinctive trajectory.

First phase of telecommunications regulatory reform

The first phase, which covered the last years of the sixth Prem government (1986-88) and the Chatichai government (1988-91), was characterised by the continuation of a state monopoly in all areas of the telecommunications industry, slightly modified by

the introduction of deregulation and some private participation in several sectors (Sakkarin Niyomsilpa 1995: 75).

Under Prem Tinsulanonda's government, the telecommunications deregulation was quite limited. Sakkarin points out that if Prem's rule represented a transition from an authoritarian towards a more democratic regime, during which the military and other bureaucratic agencies struggled to retain their power bases against challenges posed by political parties and business, the regulatory reforms in the telecommunications sector also revealed conflicts involving the aforementioned interests (Sakkarin Niyomsilpa 1995: 78).

The political instability⁵ and the politics of privatisation of major state enterprises (particularly the TOT, the Port Authority of Thailand and the State Railway of Thailand) obstructed telecommunications reforms during the Prem government (Sakkarin Niyomsilpa 1995: 78, 84), but these reforms were more successful under the more democratic and party-based system of the Chatichai regime, when more than twenty telecommunications concessions were granted to private investors (Sakkarin Niyomsilpa 1995: 103)

Second phase of telecommunications regulatory reform

The second phase may be dated from the overthrow of the Chatichai government in February 1991 followed by the first Anand government (February 1991 to March 1992), the short-lived regime under General Suchinda in April-May 1992, a second Anand caretaker government, and then to the Chuan government which followed the September 1992 election. During this period much more rapid progress was made towards bringing down the state monopoly both by modification of laws governing telecommunications and through joint ventures between the state and business (Sakkarin Niyomsilpa 1995: 75).

From the outset of the 1990s, the telecommunications industry in Thailand changed dramatically. Many more types of technology became available, ranging from basic telephone lines to cellular phones, pagers, and fibre-optic systems and

satellites. Furthermore, additional concessionaire state agencies appeared, such as the Post & Telegraph Department and the Ministry of Communications and Telecommunications. And finally, the software sector expanded dramatically along with the number of cellular phones (Suehiro 1995: 25-26).

The deregulation was largely the result of international pressure for the liberalisation of telecommunications from countries where the major telecoms companies were based, such as the US, Canada, Japan and various EU nations. This drive towards deregulation gathered momentum at various international meetings from the 1980s onwards, and culminated in the Telecommunications Technology Agreement of 1996. The most serious repercussion of this Agreement for the telecommunications industry in Thailand was that it damaged the joint venture systems and the concessions that had already been granted to Thai telecommunications tycoons under the deregulation policy since 1988.

As a result of this deregulation the Thai telecommunications market has since the beginning of the 1990s become very competitive. There are now two land-line telephone operators using two different systems of transmission (analogue and digital), four mobile phone operators as well as six pager-operating companies (Siam Commercial 1997).

In order to understand how the liberalisation functioned in practice, both in the telecommunications and mass communications sectors, and what the economic and political consequences have been, it may be useful to make a closer study of one of the central actors in this field: Thaksin Shinawatra. His telecommunications group started as a small mini- and main-frame computer-leasing company with just ten employees in 1980 and then grew to the 100 billion baht telecommunications empire it is today (Phairo 1995: 72).

Thaksin Shinawatra and the development of his business empire

Thaksin Shinawatra is the fourth generation of an overseas Chinese merchant family founded by Ku Sun Saeng, who moved from Chantaburi in eastern Thailand to Chiangmai in northern Thailand in 1908. Ku Sun Saeng became a tax collector in Mae Rim, San Sai and Doi Saket districts of Chiangmai province (Plai-Or 1987: 53), and simultaneously started up as a silk trader in Chiangmai using the Chiangmai-Burma trade route.

His successors in the second and the third generation extended the business by building a silk factory in Chiangmai in 1932 (Plai-Or 1987: 53-54) and by diversifying their business activities. They became representatives of commercial banks (Siam City Bank), school owners, bus operators, land traders, as well as department store and cinema owners in Chiangmai (Plai-Or 1987: 104-105).

Thaksin's father, Boonlert, entered local politics in Chiangmai, while his uncle, Suraphan, entered the national political arena. Suraphan was for a long period the Chiangmai representative for the Chart Thai Party as well as for a time the Deputy Minister of Communications (Sorakol 1996: 20-21).

Thaksin's career differs in many respects from that of his forebears, who were firmly rooted in northern Thai society and politics. Thaksin was born in 1949 and graduated from the Royal Thai Police Academy as the top student in 1973. He then received a Thai government scholarship to study criminal justice at Eastern Kentucky University, whence he graduated in 1976 *cum laude*. In 1979 he gained a PhD in criminal justice at Sam Houston State University, Texas (Sorakol 1996: 32-33).

On his return to Thailand he started his first computer trading company (1980) and married Potjaman Damapong, daughter of the powerful Deputy Police Chief General Samoer Damapong. Thaksin was the head of the Police Department's Research and Planning Division in 1979, when it was decided to install computers throughout the entire Police Department (Sorakol 1996: 30). By making use of General Samoer's connec-

tions, Thaksin became the computer supplier for the whole Police Department as well as other administrative offices at the beginning of the 1980s.

In the period 1990-94 Shinawatra listed four of his companies on the stock exchange: Shinawatra Computer and Communications (listed 1990), Advanced Info Service (listed 1991), International Broadcasting Corporation (listed 1992), and Shinawatra Satellite (listed 1994). This generated an enormous profit, both on sales, net profits and assets (The Stock Exchange of Thailand 1995). Thus Thaksin chose capital mobilisation in the stock exchange as a strategy to expand, and this capital mobilisation was used to develop new projects. To give an example, Advanced Info Service funds provided 300 million baht for a new cellular telephone operation licence, the establishment of an information network service under a new company named Shinawatra Datacom, as well as the opening of Shinawatra Paging Company for the operation of a new pager service (Darunee 1993: 62). Shinawatra Computer and Communications mobilised another huge sum by purchasing 2.1 million of its own shares, thus making a profit of some 525 million baht. In the same year, this company increased its registered capital from 400 million baht to 1,000 million baht and used these funds to establish yet another company named Shinawatra Directory to sub-license the telephone directory from AT&T Directory, as well as to operate another mega-project: Shinawatra Satellite, the first satellite in Thailand (Darunee 1993: 63). Capital mobilisation within the stock exchange was thus a major method for both increasing his companies' assets and for diversifying the companies' telecommunications industry network.

When the government, in line with its privatisation policy, started to list public enterprises on the stock market, Thaksin bought a considerable amount of the shares available to the public. He thus became a major shareholder in Thai Airways International and the Petroleum Authority of Thailand, as well as in the big infrastructure company Bangkok Expressway Consortium Limited (BECL).

But Thaksin met with stiff competition from other large capital groups and it is no secret that Shinawatra's strongest competitors in the telecommunications industry enjoyed close connections with many important political players in Thailand. For example, the Charoen Phokapand (CP) conglomerate had close ties to the New Aspiration Party (NAP), the Prachakorn Thai Party and the Chart Pattana Party as well as to many influential bureaucrats and military personnel. Meanwhile the Jusmin International group had close connections with the Chart Thai Party and the Chart Pattana Party, whereas the UCOM group had links to the Democrat Party. Where did this leave the Shinawatra group? It had contacts within the bureaucracy, but no alliance with any political party. This was to prove fatal during the first major conflict in the telecommunications industry in 1990, when the granting of the lucrative three million telephone line concessions (worth 120 billion baht with twenty-five years of protection) went to Thaksin's strongest competitor, Telecom Asia (TA) of the CP group (Phairo 1995: 85). The Shinawatra group thus missed a historic concession because it lacked the right political affiliations. Since 1990 Thaksin has instead expanded into other areas of the telecommunications industry, investing in mobile phones, pagers, pay-TVs and satellites, but he also realised that he had to find a new political strategy. And the strategy he chose was to enter the political arena in person rather than by proxy, in order to secure direct control over relevant public resources.

Thaksin enters the political arena

Thaksin first joined the Chuan Leekpai (Democrat) government in 1994 as Minister of Foreign Affairs, then he became head of the Palang Dharma Party (PDP), which was a coalition partner in the Chuan and Banharn governments. At this point Thaksin left politics for a while, but is now back in the fray having established his own political party Thai Rak Thai [TRK: 'Thais love Thais').

On 14 November 1985 Major General Chamlong Srimuang won a landslide victory in the election for Bangkok Governor, with a popular image as 'Mr Clean'. Building on this success Chamlong, together with some members of the Santi Asoke Buddhist sect, founded the Palang Dharma Party (PDP) on the same 'clean politics' and 'anti-corruption' political platform. While Palang Dharma enjoyed a strong political base in Bangkok, it failed to make inroads in the provinces (McCargo 1997: 125). For a number of reasons the popularity of the PDP eventually declined and Chamlong decided to step down as PDP leader in May 1992. He handed over the leadership to two PDP politicians, but then in late 1994 he resumed the leadership once more, only to hand over the reins to Thaksin in mid-1995.

By the end of 1994, Thaksin had joined the Chuan Leekpai government as Minister of Foreign Affairs, albeit only for a brief period. In spite of his short time as Minister, he managed to secure the appointment of his close friend Vichit Suraphongchai (ex-MD of Bangkok Bank) to the post of Minister of Communications. In this way he hoped to secure protection for his telecommunications empire. But when Thaksin and his allies also attempted to control a new 1.1 million telephone line concession, his competitors declared war (*Manager Daily*, 25 November 1995).

Initially startled by the turn of events, Thaksin's competitors realised his intention was to exploit his political position to further his business interests. Therefore, when the Chuan government was replaced with the Banharn Silpa-archa government in July 1995, the CP group used their political proxy—the NAP—to wrest the key post of Minister of Communications out of the grasp of Thaksin and PDP members and instead transfer it to an ally of the CP.

The coalition government of Banharn consisted of three main parties: the Chart Thai Party, the NAP and the PDP. Thaksin and his followers lost control of the Ministry of Communications to NAP members, who monopolised the telecommunications sector during the Banharn administration. Thus in July 1995 the Minister of Communications Wan Muhamad Nor

Mata and Deputy Minister Sombat Uthaisank, both from the NAP, assumed control over the gigantic state enterprises: the Telephone Organization of Thailand (TOT) and the Communications Authority of Thailand (CAT). Furthermore, in August 1995, persons close to the NAP were appointed to important committees. For example, General Sirin Thoupkram, a former subordinate of NAP leader General Chavalit, was installed as the new President of TOT, while Phaisan Peauphol, a legal consultant of the NAP, was appointed to the TOT board committee (*Bangkok Post Sunday Perspective*, 27 August 1995). In January 1996 NAP members replaced old committee members in the Communication Ministry's profitable enterprise, the Nong Ngu Hao, which will make decisions on the building of a new international airport to replace Don Muang in Bangkok.

One of the results of these changes was that the Advanced Info Service's (Shinawatra group) monopoly on cellular telephones was replaced with another mobile phone system, the Personal Handy System, which belongs to Telecom Asia of the CP group, Shinawatra's biggest competitor.⁶ Furthermore, shortly after his arrival in the government, the head of NAP, Chavalit Yongchaiyudh, as Minister of Defence, pushed through a project to launch a military satellite to be named the Star of Siam. This threatened Shinawatra's monopoly on communications satellites, although this project was later shelved (*The Nation*, 28 December 1995: A1).⁷ Thaksin and his followers responded to these developments by adopting a new strategy: they attempted to control the Bangkok Mass Transit System instead.

Bangkok Mass Transit System: New business opportunities

Traffic is a perennial subject of discussion among Bangkokians, and they eagerly look for someone who has the overview and the power to tackle the enormous traffic problems of Bangkok in an integrated and co-ordinated manner. Whatever solution is

chosen, it necessarily entails huge investments, which also implies potentially huge profits for the firms that secure the contracts for these projects, namely the construction firms, private investment firms, land speculators, etc. From July 1995 to February 1996, Thaksin as Deputy Prime Minister and head of the Bangkok Traffic Solving Team, assumed total responsibility for the Bangkok Mass Transit System (BMTS). He and his PDP team did two things.

First, he rearranged the subcontracted projects which were controlled by the Tanayong group, a giant overseas Chinese land development company that invested both in Hong Kong and Thailand. This group had won the concession to build and operate the first Bangkok Sky Train, projected to cost 28 billion baht (Bangkok Mass Transit 1993). Thaksin used his political clout in Bangkok to request that Siam Commercial Bank and other banks be permitted to increase their shares in BMTS projects, thus minimising the business status of the Tanayong group. Managing Director of the Siam Commercial Bank, Olarn Chaiprawat, Managing Director of the Siam City Bank, Som Jatusriphitak, and Managing Director of the Thai Military Bank, Thanong Phitaya, had all supported Thaksin during various election campaigns.⁸ It is, furthermore, no coincidence that Somkit Jatusriphitak, a younger brother of Som Jatusriphitak, served as Thaksin's Secretary for each of Thaksin's tenures as minister.

Second, Thaksin and PDP's Minister, being in charge of the Expressway Authority of Thailand (EAT), were given full authority over three new huge infrastructure projects—the Dao-kanong-Bangkunthien-Samutsakorn Rapid Transit Project (18 billion baht), the Chaeng Wattana-Bangpoorn-Bangsai Rapid Transit Project (23 billion baht) and a feasibility study on a mono-rail system in Bangkok. This happened in spite of the fact that Thaksin and his family held shares in the infrastructure construction company Bangkok Expressway Consortium Limited (BECL), which had obtained special rights for the Second Stage Expressway concession bidding.

On 9 September 1995, the Banharn government approved a motion relegating the responsibility for the EAT, a Ministry of Interior enterprise which operated the Chaeng Wattana-Bangpoon-Bangsai Rapid Transit Project, to the PDP. A decision on Bangkok Expressway Consortium Limited's (BECL) administration of the project had to be completed within three months or a new company with new financing would be considered. In fact, a legal loophole favouring BECL was utilised to avoid this. In 1987-88, under the terms of the Second Stage Expressway concession bidding, EAT granted special rights to BECL as a 'prior right' consortium, which allowed the company to be the first contractor to be considered for the construction of the road extension, provided that BECL's bid proved as competitive as that of any other company. Although the Attorney General eventually decided to liberalise the bidding procedure, the EAT—under PDP influence—ignored this directive and awarded the contract to BECL. A cabinet meeting on 30 October 1995 also decided to ignore the open bidding principle suggested by the Attorney General, and instead approved a proposal by a special Interior Ministry committee headed by PDP favouring BECL. BECL had three Shinawatra groups as corporate shareholders: Mrs Potjaman Shinawatra (wife of Thaksin) held 8 million of the shares, Thaksin himself 2 million shares, and SC Asset (owned by Thaksin) 29 million shares. This totalled 39 million shares worth 393 million baht of the total 100 million BECL shares which were valued at 1,000 million baht.⁹ On 22 January 1996 a cabinet meeting quickly approved the BECL concession of the Daokanong-Bangkunthien-Samutsakorn Rapid Transit Project.

Latest developments

When the 'boom economy' suddenly turned into a 'bust economy' in July 1997, the two previous competitors, CP and Shinawatra, became new allies.

Table 1 shows the net performance of the telecommunications companies during the first nine months of 1997. We can see that almost all of them suffered substantial losses. Only two performed well, namely Advanced Info Service of Shinawatra group and Jusmin.

Not only that, unhedged US dollar loans caused huge losses to the telecommunications companies after the Thai government decided to float the baht on 2 July 1997 (see Table 2). Shinawatra's three telecoms companies had altogether unhedged loans amounting to US\$680 million (Advanced US\$70m, Satellite US\$180m and Shinawatra US\$430m), while Telecom Asia of CP had unhedged loans amounting to US\$1,000 million. With the falling value of the baht against the dollar, the debt burden on these loans increased substantially.

Table 1:
Telecom Stock Performance
(Net results, Jan.-Sept. 1997;
billion baht)

UCOM	-11.2
TAC	-6.3
SHIN	-1.7
SATTEL	-2.5
SAMART	-1.7
TA	-2.3
IEC	-1.1
TT&T	-1.1
JUSMIN	+0.9
AIS	+2.4

Sources: The Stock Exchange of Thailand; *The Nation*, 18 November 1997: B2.

Table 2: Foreign Currency Exposure

	AIS	SATTE L	SHIN	TAC	UCOM	TA	TT&T
Unhedged loans (million US\$):	70	180	430	925	1,425	1,000	150
Forex losses (billion baht)							
at Bt33/\$	2.2	3.8	23.0	18.2	45.1	3.3	1.2
at Bt36/\$	3.1	5.3	32.3	25.6	63.3	4.7	1.6
at Bt39/\$	4.0	6.9	41.6	35.4	81.6	6.0	2.0

Source: *The Nation*, 18 November 1997: B2

Thus, the two previous competitors—UTV (CP) and IBC (Shinawatra)—made a surprise announcement on 15 June 1998 that they were to merge into one company: UBC. One of the official reasons given for this merger was that the two previous competitors could both benefit from their huge investments and share their respective telephone networks—CP's fibre-optic network and Shinawatra's cellular telephone network—thus neither of them would need to make additional investment in transmission technology, and they would also become co-owners of their respective telephone networks as well as sharing subscribers. Another reason given for the merger by the CP Chairman Dhanin Chearavanont was that it had become necessary for conglomerates within the same industries to merge or form alliances in order to compete with multinational giants (*Bangkok Post*, 15 June 1998:1). The simple fact, though, is that the merger is an attempt to restore a monopolistic environment in the telecommunications sector. The next logical step will be the merger of their core telecommunications companies: TA of CP and AIS of Shinawatra.

But Shinawatra and CP are not only merging capital and technologies, they are also pooling their political resources. On 14 July 1998 Thaksin Shinawatra officially registered a new political party—Thai Rak Thai [TRT; 'Thai loves Thai']. TRT, while initiated by Thaksin, also has two top CP executives as

co-founders and members of the party's executive committee. One is Virachai Viramaitheekun, the youngest son-in-law of CP Chairman Dhanin Chearavanont. The other is the current Deputy Managing Director of CP, Dr Sarasin Viraphon, ex-Deputy Permanent Secretary of the Ministry of Foreign Affairs. On the inauguration day of the party, Thaksin said that TRT was the first party to be created under the new constitution and that the party was determined to serve and work for Thai society (*Bangkok Post*, 15 July 1998: 3).

One major reason for CP's alliance with Thaksin's new political party is that CP's close relationship with its traditional political ally, NAP under the leadership of Chavalit, has been severed. This happened when some of the CP top executives both privately and publicly voiced strong criticism of the Chavalit administration for its unsuccessful financial policies and for the way it had handled the economic crisis. Thus CP needs new political channels. One way is to stop using proxies and to build up their own political base instead. This is an attractive long-term strategy which explains the rationale behind CP's collaboration with Shinawatra's new party. But CP also needs an immediate political channel to the government. Thus CP has made a new political alliance with the Democrat Party now in power by sending Sarasin Viraphon to be Prime Minister Chuan's foreign affairs advisor.

Conclusion

What are the implications for Thai society of this merger of money and politics as well as of the monopolisation trend in the telecommunications sector?

If these mergers prove to be successful in the long term, the resulting monopoly will leave Thai consumers with no alternatives. If, in addition, the merger of TA of CP and AIS of Shinawatra becomes a workable reality, they will jointly command assets worth over 141 billion baht. Their market capitalisation at 69 billion baht would be the third largest in the Thai

stock market, after PTT Exploration and Production and Bangkok Bank (*Bangkok Post*, 15 June 1998: 1). This enormous concentration of capital will be able to manipulate the entire telecommunications market.

In the political arena one could fear the same monopolising trend. Before founding the TRT party, both Thaksin and CP were forced to give financial support to various political parties simultaneously. Now, both of them can concentrate their financial and political resources in one political party. In other words, TRT will become the political party of a gigantic telecommunications capital group. If this political trend is cemented, we shall see a significant shift in the relationship between capital groups and politicians in Thai society. Until now, there has been a symbiotic relationship between politicians (royal family members, aristocrats, bureaucrats (civil and military) and members of parliament) and capital. The capital groups have distributed their wealth to politicians in many political parties as a *quid pro quo* for receiving monopolies, concessions, licences, quotas, construction projects, permits, etc. If the capital groups form their own political parties, their financial largesse will not be distributed as widely as in the past. At the same time, political parties will function as the direct political arms of the big capitalists, even more than they do today. Thus there is the possibility that the whole party system—and indeed the whole parliamentary system—may become even more subverted by money than it already is.

Ukrist Pathmanand, Senior Researcher, Institute of Asian Studies, Chulalongkorn University, 7th floor, Prajadhipok-Rambhai Barni Building, Phyathai Road, Bangkok 10330, Thailand. Phone: (66) 2 2187464-8; Fax: (66) 2 255 1124; E-mail: pukrist@pioneer.netserv.chula.ac.th. Ukrist does research on the role of capital groups and multinational corporations in Thailand and the neighbouring countries from a political economy angle.

List of abbreviations

AIS	Advanced Info Service Public Co. Ltd.
BECL	Bangkok Expressway Consortium Ltd.
BMTS	Bangkok Mass Transit System
CAT	Communications Authority of Thailand
CP	Charoen Phokapand
EAT	Expressway Authority of Thailand
IBC	International Broadcasting Corporation Ltd.
IEC	International Engineering Public Co. Ltd.
IFCT	Industrial Finance Corporation of Thailand
JUSMIN	Jusmin International Public Co. Ltd.
NAP	New Aspiration Party; leader: Gen. Chavalit Yongchaiyudh
PDP	Palang Dharma Party; founder: Maj. Gen. Chamlong Srimuang
PTT	Petroleum Authority of Thailand
SAMART	Samart Corporation Public Co. Ltd.
SATTEL	Shinawatra Satellite Public Co. Ltd.
SET	Stock Exchange of Thailand
SHIN	Shinawatra Computer and Communications Group Public Co. Ltd.
TA	Telecom Asia Corporation Public Co. Ltd.
TAC	Total Access Communication Co. Ltd.
TOT	Telephone Organization of Thailand
TRT	Thai Rak Thai [Thai loves Thai]; political party founded 1998 by Thaksin Shinawatra
TT&T	Thai Telephone & Communication Public Co. Ltd.
UBC	UBC Cable TV
UCOM	United Communication Industry Public Co. Ltd.
UTV	UTV Cable TV

Notes

¹ I wish to thank the editor and the anonymous referee for many useful comments and suggestions.

² Bangkok Bank, Asia Trust Co., Bangkok Metropolitan Bank, Bank of Ayudhya, Union Bank of Bangkok.

³ The IFCT was established in 1959, a) to establish, extend, and develop private industrial firms and b) to stimulate domestic and foreign bank loan syndication.

⁴ In spite of being a governmental agency, 53% of IFCT was owned by Thai businessmen and commercial banks such as the Lamsam family (Thai Farmers' Bank), the Sophonpanit family (Bangkok Bank), the Shonwijarn family (Union Bank of Bangkok), and the Boonsung family (Laem Thong Bank) (Chamlong 1964: 47-51).

⁵ Because of two abortive coups in 1981 and 1985 as well as withdrawal of support by various political parties, General Prem developed a strategy of balancing support from the bureaucrats (including military leaders) on the one hand and politicians on the other. This meant that the Prem government avoided controversial issues, such as telecommunications deregulation (Sakkarin Niyomsilpa 1995: 84).

⁶ In July 1995, an MP of the New Aspiration Party, Kaew Buasuwan as head of the parliamentary Telecommunications Committee and Deputy Minister of the Ministry of Communication and Telecommunications ordered both Advanced Info Service of the Shinawatra group and Total Access Communication of the Ucom group to improve their services, if not, the ministry would allow new companies to bid. (*Matichon Weekly*, 15 March 1996: 10-11).

⁷ The idea behind this project amounting to 26 billion baht was to modernise Thai military technology through satellite, pager and computer networks. American Delta would launch the satellite, while British Aerospace and Matra Marconi Space would construct it (*The Nation*, 3 January 1996).

⁸ In the past, the PDP had close connections with some business politicians, local government and big construction companies, but after Thaksin became party head, affiliations to finance firms have superseded these older relations.

⁹ File on Bangkok Expressway SC Asset has a registered capital of 8 billion baht and became a public company on 23 June 1994. This company also belongs to the Shinawatra group because Banpot Damapong, Thaksin's brother-in-law, is a major shareholder (20 million shares amounting to 200 million baht). See: File on SC Asset.

References

- Asia Times*, 22 March 1996: 1.
- Bangkok Mass Transit. 1993. เอกสารเผยแพร่โครงการระบบขนส่งมวลชนกรุงเทพ: 11 อภิโครงการ ทกแสนล้านบาท [11 mega projects worth 60 billion baht]. ฐานเศรษฐกิจฉบับพิเศษก้าวสู่ปีที่ 14 [Thansetthakit Special Fourteenth Anniversary Issue].
- Bangkok Post Sunday Perspective*, 27 August 1995.
- Bangkok Post*, 15 June, 15 July 1998.
- Chamlong Tothong 1964. 'Practice and problems of the Industrial Finance Corporation of Thailand'. *Bangkok Bank Monthly Review* 5(2): 47-51.
- Darunee 1993. ดรณี โปศาลพาณิชย์กุล: ทักซิน ชินวัตร วันนี้ใหญ่จริงหรือ? [Is Thaksin Shinawatra really big today?] *IT Management* 3(30) (March).
- File Bangkok Expressway. แฟ้มเอกสารบริษัททางด่วน กรุงเทพ. บมจ. 479 กรมทะเบียนการค้า กระทรวงพาณิชย์ [File on Bangkok Expressway Consortium Ltd, BMC 479. Registration Department, Ministry of Commerce].
- File SC Assets. แฟ้มเอกสารบริษัท เอชซีแอสเสท กรมทะเบียนการค้า กระทรวงพาณิชย์ [File on SC Asset Co. Ltd. Registration Department, Ministry of Commerce].
- Hewison, Kevin 1989. *Power and Politics in Thailand*. Manila: Journal of Contemporary Asia Publishers.
- McCargo, Duncan 1997. 'Thailand's political parties: real, authentic and actual'. In K. Hewison (ed.), *Political Change in Thailand: Democracy and Participation*. London and New York: Routledge: 114-131.
- Manager Daily*, 25 November 1995, 17 January, 26 January, 27 February 1996.
- Matichon Weekly*, 15 March 1996.
- Pasuk Phongpaichit and Chris Baker 1995. *Thailand. Economy and Politics*. Oxford: Oxford University Press.
- Phairo 1995. ไพเราะ เลิศวิราม: ทูณสื่อสาร การเคลื่อนทัพของเงินและอำนาจ [Telecommunications capital: moving the forces of money and power] ผู้จัดการรายเดือน [Manager Monthly] 12 (141) (June).
- Plai-Or 1987. ปลายอัครชนนทร์: นายทุนพ่อค้ากับการก่อตัวและขยายตัวของระบบทุนนิยมในภาคเหนือของไทย พศ. 2464-2523 [The role of merchant capitalists in the rise and expansion of capitalism in Northern Thailand, 1921-1980]. โครงการหนังสือเล่ม สถาบันวิจัยสังคม จุฬาลงกรณ์มหาวิทยาลัยและสำนักพิมพ์ สร้างสรรจำกัด [Bangkok: CUSRI Publication and Sang San Publication].
- Sakkarin Niyomsilpa 1995. *The Political Economy of Telecommuni-*

- cations Liberalisation in Thailand*. Ph.D. diss., The Australian National University.
- Siam Commercial 1997. รายงานบริษัท ศูนย์วิจัยไทยพาณิชย์ [Siam Commercial Bank Research Center Company Report] May 1997.
- Sorakol 1996. สรกล อุดลขานนท์: ทักษิณ ชินวัตร อัศวินคลื่นลูกที่สาม [Thaksin Shinawatra: Knight of the Third Wave]. กรุงเทพฯ: สำนักพิมพ์มติชน. [Bangkok: Matichon Publishing].
- Stock Exchange of Thailand 1995. *Company Handbooks 1995* (Vol.1-2). Bangkok.
- Suehiro, Akira 1989. *Capital Accumulation in Thailand, 1855-1985*. Tokyo: The Centre for East Asian Cultural Studies.
- Suehiro, Akira 1992. 'Capitalist development in postwar Thailand: commercial bankers, industrial elite, and agribusiness groups'. In Ruth McVey (ed.), *Southeast Asian Capitalists*. Ithaca: Cornell Southeast Asia Monographs: 35-64.
- Suehiro, Akira 1995. 'The Shinawatra group: Thai telecommunications business and new monopoly capital groups'. *Asian Economy* February 1995. (In Japanese. Translated into Thai by Supa Pathmanand.) *The Nation*, 28 December 1995, 3 January 1996, 29 March 1996.