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# The Downfall of Thaksin Shinawatra's CEO-state

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# The Downfall of Thaksin Shinawatra's CEO-state

Kelvin Rowley [\\*](#)

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## Introduction

Kelvin Rowley, of Swinburne University, argues that the downfall of Thailand's elected prime minister, Thaksin Shinawatra "is a great deal more interesting than the stereotypical story of a democratic hero bought down by reactionary generals hankering for a return to strong rule." Thaksin's fall, Rowley suggests, flowed mainly from his vision of the Thai CEO state. "In his embrace of the new managerialism", argues Rowley, "Thaksin had discarded what an influential group of senior military officers regarded as the lessons they had learned in the struggle against communism a quarter of a century earlier. In their view, his handling of the south was creating the conditions for an Islamist insurgency to grow. He was turning the southern problem into a serious threat to national security." Thaksin's dominance of Thai politics, Rowley also argues, reflected import and weaknesses in the Thai party system.

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## Essay - The Downfall of Thaksin Shinawatra's CEO-state

Since 1992, Thailand has been widely seen as a model of successful democracy in Asia. The overthrow of the elected Prime Minister, Thaksin Shinawatra by a military coup on 19 September 2006 was therefore condemned by Western leaders. Australia's John Howard was among the first, deploring the coup as "a throwback to a past that I had hoped Asia had emerged from." [1] However, the images coming out of Thailand did not fit the familiar stereotype of a military coup. It had been the elected leader who had been the target of mass demonstrations. Activists who had risked their lives in opposition to previous military coups appeared to be accepting, if not supporting, this one. There was not stern talk from the generals about the need for law and order. The man who made the coup appeared almost sheepishly apologetic, reminding television viewers that he had seized power without the electoral support of the people. Insurgents fighting against the government spoke of the opportunity for peace.

The story of Thaksin Shinawatra's downfall is a great deal more complex and interesting than the stereotype suggests. To understand it, we must appreciate the ambitious, energetic and flawed man who dominated his country's politics for the past five years. We will have to grasp the problems of a new and unconsolidated democracy in a developing country, and we will have to probe the murky waters of Asian high finance, Islamic insurgency, and military politics.

### Thaksin's CEO-state

Thaksin Shinawatra was a product of the economic transformation that has swept through Thailand in the last 30 years. Descended from 19<sup>th</sup> century Chinese immigrants, he was the son of a silk merchant from Chiang Mai. Like many males of his generation he first sought a career in the bureaucracy. He became an officer in the police, but soon quit for the greater attractions of Thailand's booming private sector. In less than a decade he became Thailand's king of communications and information technology. In 2001, he made his appearance on the Forbes list of the world's richest people. With a personal fortune estimated at US\$ 1.2 billion, he ranked 421.

Thaksin liked to claim that he rose from poverty through hard work, thrift, and management skills. This was not true, but he certainly saw the opportunities opening up as Thailand moved rapidly from the agrarian age into the information age. As in all late-developing countries, Thailand's new capitalist class depended on government support and patronage. In this, Thaksin was typical. His dramatic business success grew out of his systematic exploitation of the political connections of family and friends to win juicy government contracts.

He moved into politics as a natural extension of his business career. Thaksin formed his own political party in 1998, Thai Rak Thai ("Thais Love Thais" (TRT)). He was elected Prime Minister in 2001. He saw himself as the dynamic leader who would bring an old-fashioned country into the new age. Thaksin believed he would achieve this through the "new management" theories he had absorbed in the 1980s and 1990s. According to Thaksin:

A company is a country. A country is a company. They are the same thing. The management is the same. It is management by economics. From now onwards, this is the era of management by economics, not management by other means. Economics is the deciding factor. [2]

He was to be the CEO of Thailand; its citizens were his employees; and his responsibility was to deploy them to achieve maximum growth in income and profits. He was contemptuous of the

muddle-headed way in which the country had previously been governed. He would transform this by applying plans, targets, and performance indicators. He would restructure the Thai bureaucracy through privatisation, devolution, accountability and strict fiscal discipline. This would be the greatest transformation of government in Thailand since King Chulalongkorn established the modern bureaucracy in the late 19th century.

When Thaksin became Prime Minister, Thai politics had already undergone substantial change. Decades of military rule had ended in the early 1990s. In the "bureaucratic polity", as the political system of that earlier era was known, military leaders worked with civil servants to run a status-oriented society with the king and royalty at the apex, followed by a hierarchy of military and civilian officials. Businesspeople and other commoners owed whatever wealth and status they enjoyed to official patronage. A parliament had existed since the 1930s, but its role was marginal. [3] Several decades of economic expansion, urbanisation and rising education levels had largely undermined that system even before the demise of military rule.

The system that emerged in its wake accommodated the newly influential business class through an expanded role for parliament, based on money-politics. This was built on backroom deals between businessmen who provided the necessary money, provincial bosses who delivered votes by plying voters with free transport, beer, noodles, and modest cash handouts, and aspiring politicians who promised favours in return once they got into parliament. Politicians showed little interest in what ordinary people thought or wanted. Political parties grew up around loose and shifting coalitions of personalities and factions, relying on patronage and vote-buying to rally support, and generating little by way of organised mass support or coherent policies. Formally democratic, the system was in reality exclusionary and unresponsive. Corruption in politics and business soon become a major concern among voters. [4]

Demands for reform were widespread, especially among the new professional classes in Bangkok. Constitutional changes introduced in 1997 sought to undermine the patronage of individual parliamentarians and the local bosses that backed them. The reforms aimed to strengthen political parties and the executive arm of government, making Thai politics more like "proper" party politics (ie, like those in Western countries), and more effective. The reforms also sought to bring about greater transparency in government by creating independent agencies to provide checks and balances to constrain executive power.

Thaksin came of age politically in the golden age of money-politics, and he did not hesitate to use his own wealth to build TRT. He attracted politicians to its ranks from rival parties with promises of important positions. However, Thaksin was also innovative in his response to the reforms. Buying votes was now technically illegal, so instead TRT paid people to become party members. Rather than relying on deals with local bosses to deliver the vote, TRT relied on professional marketing through the national mass media. Rather than relying on petty local handouts, TRT promised policies that would deliver billions of baht to rural development, infrastructure and health care. Thaksin was able to do this because he imposed stronger party discipline through personal control, and because he had the money. Millions rushed to join TRT, and the older, weakly-organised parties withered. TRT was swept into government with 40% of the votes in 2001, surrounded by a constellation of smaller parties eager to join a coalition with it.

Once in government Thaksin relied on the strong executive created by the 1997 reforms to push through his policies. However, he was hostile to the independent commissions established by the reforms. Even before he became Prime Minister, they had subjected his financial affairs to unwelcome scrutiny. Under the new laws, politicians had to declare all their assets. Thaksin divested himself of his personal wealth by giving it away - to his wife, his children, and to his household servants. This was universally believed to be no more than a ruse. A corruption investigation

charged that Thaksin had acted dishonestly and illegally, and was unfit to hold public office. He challenged this and the courts ruled in his favour. From that point on, Thaksin regarded Thailand's watchdog agencies as enemies, and sought to emasculate them at every opportunity. [5]

Thaksin was a pragmatist, and his approach to government was generally cautious. He introduced the restructuring he wanted in piecemeal ways rather than in a "big bang". Nevertheless, the pattern became clear within a couple of years. In keeping with the new management theories he had imbibed, this involved devolving responsibility while centralising power in the hands of senior politicians, his own in particular. Thaksin acquired unprecedented powers of patronage, and he used them to punish opponents and reward supporters. Those he rewarded frequently turned out to be members of the Shinawatra clan, friends from his cadet school class, or business associates.

Thaksin dominated the media through both government and the private sector. Until the 1990s, radio and television broadcasting had been in the hands of either the military or the government. When this market was liberalised in the 1990s, Thaksin's Shin Corp quickly established a dominant position in the private sector. Newspapers in Thailand were privately owned. They had previously been strictly censored by the military, but when this was abandoned in the 1990s they had blossomed. However, even when his political position seemed invincible, Thaksin went to considerable lengths to shape media reporting of his activities. Private business investment, public advertising revenue, and personal influence with editors and journalists were all manipulated strenuously to this end. Even the pro-government Bangkok Post was not exempt. The dismissal of its editor, Veera Pratheepchaikul, in 2004 was widely attributed to pressure on management from Thaksin. Veera alleged that government interference in the press was worse under Thaksin than it had been under Thailand's military dictatorships. [6] But despite this pressure - perhaps in reaction against it - critical reporting persisted.

Thaksin's background in business meant that he had no time for the "dry" version of market economics. His faith in "economics" was not a devotion to the doctrines of Adam Smith or Milton Friedman - it was a passionate conviction that the role of government was to support business. He preferred reading management gurus, and excluded conventional free-market economists from his inner circle.

Thaksin spoke enthusiastically about globalisation, but he was also an economic nationalist. He was an opponent of the fiscal austerity imposed on Thailand by the IMF in the wake of the 1997 financial crisis. His criticism of the government of Democrat leader Chuan Leekpai for its meek submission to IMF dikat won wide support. When Thaksin came to office, orthodox economists worried that his irresponsible "populist" programmes would spark off uncontrolled inflation. This never eventuated. Critics would have been better advised to pay more attention to his lack of sympathy for Chuan's efforts to clean up corruption in business and government. He saw this as wasteful and unnecessary red tape.

Thaksin believed that if business was allowed to get on with the job of making money, actively backed by government, the people would benefit. This would be so especially if he could free up their spirit of risk-taking entrepreneurship, which had been stifled by the old status-oriented, dependency-breeding society. Rather than provide aid to people with handouts, which would make them dependent on government, Thaksin preferred to pump money into rural infrastructure, cap the cost of health care, provide debt relief and expand credit for farmers. This involved increasing government spending, rather than cutting it. He was able to finance these measures without increasing taxes, through privatisations and the tax windfalls from growth. All this stimulated demand, business prospered, and the economy boomed once again. While the rich certainly got richer under Thaksin, the poor benefited as well. The World Bank estimates that from 2000 to 2005 the proportion of Thais living in poverty dropped from 21% to 11% of the population. The

improvement was especially marked in Thailand's poorest region, the Northeast. [7] This was a foundation stone of Thaksin's electoral success.

There was a darker side to Thaksin's regime, however. The abuse of power made possible by centralising power and undermining accountability was demonstrated by the "war on drugs" which Thaksin launched in early 2003. The government set targets for arrests and seizures over a three-month period, and police were threatened with removal from office if they did not meet them. Thaksin made it clear that he did not mind if the police killed suspected drug traffickers in the process: "Send them to hell ... Kill them off. Don't leave a trace behind, because they are a threat to society." [8] In the three-month period of the plan, over 2,500 alleged drug dealers were killed and over 50,000 were arrested. Not a single major drug dealer was caught and the trade continued to flourish - although more discreetly than before. There was no investigation into abuses of police power, the campaign proved popular with voters, and foreign governments who prided themselves over their vigilance on human rights abuses in Asia remained silent.

Thaksin followed this up with a campaign against the "dark influences" behind Thailand's extensive illegal economy. The targets were not simply criminals, but the corrupt police, military, government officials and business people that colluded with them and shared in their profits. Cynics believed that this campaign was used selectively, principally in order to undermine provincial bosses providing the local underpinnings of rival political parties.

By 2005, Thaksin appeared invincible. TRT had more than twice the vote of the main opposition party, the Democrats. As a result, TRT dominated parliament, and even the Democrat Party was almost insignificant outside the south (see Table 1). TRT was now able to rule alone, free of the constraints of maintaining a coalition characteristic of parliamentary government in Thailand in the past. The media was largely, though far from completely, compliant. Thaksin spoke of the possibility of serving four terms as Prime Minister. He was an avowed admirer of Lee Kwan Yew's transformation of Singapore, and commentators speculated that Thaksin was building a dominant-party state like that of Singapore. [9]

Table 1. Thailand's 6 February 2005 elections: candidates elected by party and region

| Party                 | Bangkok | Central | Northeast | North | South | Total |
|-----------------------|---------|---------|-----------|-------|-------|-------|
| <b>Thai Rak Thai</b>  | 32      | 80      | 126       | 71    | 1     | 310   |
| <b>Democrat Party</b> | 4       | 7       | 2         | 5     | 52    | 70    |
| <b>Chart Thai</b>     | 1       | 10      | 6         | 0     | 1     | 18    |
| <b>Mahachon</b>       | 0       | 0       | 2         | 0     | 0     | 2     |
| <b>Total</b>          | 37      | 97      | 136       | 76    | 54    | 400   |

Source: Thitinan Pongsudhirak, 'Thaksin's Political Zenith and Nadir,' in Daljit Singh and Lorraine and. Salazar (eds), *Southeast Asian Affairs 2006*, Singapore, Institute of Southeast Asian Studies, 2006, p. 286.

## The Shin Corp debacle

Then in 2006 Thaksin's CEO-state suddenly fell apart. The rot had set in earlier, with growing complaints among Bangkok's middle classes of corruption and nepotism. These were fuelled by angry and vocal insiders who had fallen out with Thaksin, notably Sondhi Limongkul (not be confused with General Sonthi Boonyaratklin, who we shall encounter later in this story). But the main catalyst of the collapse was the public sale by the Shinawatra family of its stake in Shin Corp for 73 billion baht (about 2.6 billion AUD).

Shin Corp was the holding company through which the Shinawatra family controlled its business empire. Thaksin's government liberalised investment laws, which had severely restricted foreign ownership of strategic national assets, including the communications industry. The new laws permitted up to 50% foreign ownership, and the Shinawatras promptly sold 49.5% of Shin Corp to a Singapore company, Temasek. Thaksin said this should dispel any concerns about a conflict of interest on his part.

This was a colossal misjudgement. Rather than dispelling concerns, this move destroyed the nationalist credentials on which Thaksin's popular appeal was in part based. It now appeared that his patriotism evaporated the moment he got a whiff of a favourable business deal. Angry demonstrators denounced Thaksin for selling Thailand out to "Singaporean imperialism." Temasek, the company making the purchase, had been established by Singapore's Ministry of Finance in 1974. Nominally a private company, it was widely regarded as an arm of the Singaporean government. Especially since 2002, under the aggressive management of Ho Ching (the wife of Singaporean Prime Minister Lee Sieng Loong), it had built a business empire stretching from Indonesia to China and from India to Australia (where it is the main owner of Optus). Lee Kuan Yew, who fully reciprocated Thaksin's admiration, was reportedly an enthusiastic advocate of the Shin Corp acquisition. Temasek was so keen on the deal that it sought to expand its holdings well beyond the legal limit of 50%, using subsidiary companies fronted by Thai citizens. By September 2006, Temasek directly or indirectly owned nearly 76 per cent of Shin Corp. [\[10\]](#) To cap it all off, the Shinawatra family arranged their end of the deal so that they paid not one baht in tax.

As all these details leaked out into the public arena anger against Thaksin erupted. The humblest street-vendor in the land paid her taxes, it was said, so why should Thailand's richest family be exempt? Suddenly Bangkok's streets filled with anti-Thaksin demonstrations, the largest public rallies since the campaign against military rule in 1992. Sondhi organised the People's Alliance for Democracy, a loose but broad coalition which quickly became a force to be reckoned with. Thaksin dismissed the protesters as stupid. He declared that he would never yield to their demands. But angry demonstrations continued to mount.

The King sent Thaksin a message voicing concern at the crisis and displeasure at his intransigence. Then Thaksin dissolved parliament and called a new election, confident that TRT could rally a massive rural vote behind him. His opponents insisted that an election was irrelevant, as the issue was one of lawfulness and integrity in government, and this would not be resolved by an election. The Democrat Party boycotted the elections, which took place in April. Effectively running unopposed, TRT won only 57% of the vote. Both sides claimed victory. Thaksin's opponents demanded that he resign, but he refused. He boasted on radio that the only person who could remove him from his office was the King. "If his Majesty whispers in my ear, 'Thaksin, please leave'," he said, "I'll go." [\[11\]](#) The next day he was invited to an audience in the Royal Palace. Following this, he went on television and, close to tears, announced his resignation. Deputy Prime Minister Chidchai Vanasathidya, an associate since Thaksin's days in the police, took over as head of a caretaker government.

Thaksin's opponents challenged the validity of the elections in the Constitutional Court. The King made a speech on national television telling the judges that a one-party election was undemocratic and abnormal. It was the duty of the judges to decide if this was "appropriate" or not, and if they could not do this they should resign. The judges decided that the elections were inappropriate, and annulled them. Protracted legal wrangling followed. The TRT was charged with grossly improper conduct in the elections, and the Democrat Party with unconstitutional behaviour in boycotting them. This raised the prospect of the dissolution of both of Thailand's main political parties. New elections had to be called, but these would have to be postponed until these legal issues were



resolved. They were initially planned for October, but then postponed to November. Thaksin returned to the Prime Minister's office in May in was now interpreted as defiance of wishes of the King.

By now the anti-Thaksin forces were looking increasingly to the monarchy. Thailand's royalty had been largely stripped of its power in a coup in 1932. But a constitutional monarchy remained, and after Bhumibol Adulyadej came to the throne in 1946 he slowly and carefully rebuilt the image and popular appeal of the monarchy. The King avoided involvement in day-to-day politics, but had gradually assumed the role of arbiter of conflicts within Thailand's ruling elite. By the time of the Diamond Jubilee in June 2006 his popularity was immense. [\[12\]](#)

The royal family had never seen itself as above moneymaking - indeed, its investments were an important (though under-reported) part of the Bangkok business scene. However Bhumibol was a deeply conservative man. As the boom of the 1990s reached its climax, he began making speeches deploring the brazen greed of the times, reminding Thais of the traditional Buddhist virtues of moderation and restraint. What people should aim at, he said, was not unlimited wealth, but modest self-sufficiency, happiness and virtue. This put him at odds with the embodiment of that era's unrestrained pursuit of wealth, Thaksin Shinawatra. The first signs of disagreement appeared as early as 2001 but it was not until 2006 that the two really fell out.

The Shin Corp debacle was central to Thaksin's downfall. It exemplified the freebooting, corrupt style of capitalism which had fuelled both Thailand's boom and the financial crash of 1997. Thaksin had earlier appeared to be someone prepared to stand up for ordinary Thais against the harsh and unfair policies imposed by the IMF. The Shin Corp debacle made it clear that he was driven by his family's business interests, not those of the nation, and that he had learnt nothing from the 1997 crisis. Thaksin's handling of the political fallout from this highlighted the arrogant, bullying side of his personality, and put him at odds with the King.

This was especially ominous for Thaksin, because he was also increasingly at odds with powerful figures in the country's military establishment. This was partly an outgrowth of quarrels over promotions and patronage in the armed forces, but it was energised by the mounting security problem in Thailand's south.

### **Disaster in the deep south**

This problem originated in the transformation a century ago of Siam from a loosely integrated traditional monarchy into a nation-state. The new state was supposed to be centralised and efficient, and the various peoples who were now subjects of the Siamese king were expected to become good citizens. In an era of nationalism, these were thought to be stereotypical ethnic Thais - speakers of the Thai language, and devout Buddhists who loved their king. This ethnic chauvinism ran into problems in the cities, with a substantial population of Chinese, Indians, Vietnamese, Europeans, and others. It also created difficulties in peripheral rural areas with significant populations of Lao and Khmers. Despite some friction, however, these populations were duly assimilated into Thai national society.

Unlike the Lao and the Khmers, the people of the south had previously been outside the cultural world of Buddhist kingship. [\[13\]](#) This area had been part of the sultanate of Patani Darasalam, a tributary of the Siamese court from the 18<sup>th</sup> century. In 1902 this Muslim state was partitioned between the British Empire and Siam. London took the provinces of Kelantan, Trengganu, Kedan and Perlis, and Bangkok took the provinces of Pattani, Yala and Narathiwat. While 90% of the Thai population were Buddhists, in these provinces 80% of the population were Muslims. Most people spoke Malay dialects rather than Thai. Shop signs were frequently in Arabic script. It was common

for men to wear robes and for women to wear veils. Over the 20th century, especially in times of authoritarian-nationalist rule, Bangkok tried to remould the population of this region to assimilate it into the dominant culture. Schools were taught in the official national language, and celebrated the Buddhist monarchy in Bangkok. The people in the south went along with much of this, but they persisted in speaking their local dialects and worshipping Allah under the leadership of Islamic imams.

During World War II, Thailand allied itself with Japan, and the British encouraged a rebellion in the south with promises that the area would be incorporated into a Malay federation after the war. When the war was over, however, the British agreed to continued Thai control of the three provinces. The postwar retreat of empire resulted in the creation of the independent states of Malaysia and Indonesia, both with predominantly Malay-speaking and Muslim populations. Malay nationalist movements formed in southern Thailand, lobbying for the incorporation of the region into the Federation of Malaysia or into a broader pan-Malay state in Southeast Asia. These movements foundered as Malaysia and Indonesia were consolidated within their present boundaries, leaving this area as part of Thailand. In the late 1960s new groups emerged who used Islam as a rallying call in an armed struggle for a Malay-Muslim state independent of Bangkok. That insurgency largely died out two decades ago, during the prime ministership of General Prem Tinsulanonda.

Prem made his name defeating the communist insurgency in Thailand's Northeast. This involved the customary brutalities of counter-insurgency warfare, but Prem and his staff also sought to isolate the communists by addressing the grievances of the population from which they recruited. This strategy proved successful, and when he became Prime Minister in 1980, Prem used it in the south. The Thai government set out to convince southerners that they had a real stake in being part of Thailand. Significant power was devolved to local authorities, involving the police, the military, and community leaders. Money was pumped into the development of these impoverished and neglected provinces. The Thai government emphasised that it recognised and respected Islam. Religious private schools began to flourish. Military operations against the insurgents continued, but in a selective manner, and the rebels were offered an amnesty if they lay down their weapons.

This strategy proved successful, and by the 1990s there were probably only a few dozen active insurgents in the region. Even this may give an exaggerated impression of the extent of the insurgency. The leaders of the secessionist groups had not surrendered, but they had been driven into exile. Their nominal followers devoted much of their energy to smuggling, extortion, drug trafficking and other criminal activities, often in collusion with the Thai police. The deep south remained a lawless zone where, as a veteran Thai journalist wrote: "bandits, good and rogue police officers, good and rogue soldiers, corrupt officials and remnants of Muslim separatist groups have long associated with, robbed, and occasionally killed each other." [\[14\]](#)

The managerial style of Thaksin's CEO-state was poorly suited to handling such a delicate situation. His centralist, authoritarian approach, and his use of patronage to undermine political rivals, resulted in a heavy-handed approach which quickly undid much of the political integration that had taken place over the previous two decades. Thaksin does not seem to have been especially anti-Muslim, but they were not the pliant human resources that he expected. If they had been employees of a company, he would doubtless have dismissed them; but they were citizens of a country, and he could not do this. However the dismissive way in which he treated them antagonised much of the population and created situation where Islamist ideologues were able to recruit militants for a jihad against the Thai state. This was compounded by the indifference to human rights which Thaksin had revealed in his war against drugs, and by his aggressive use of patronage for political advantage.

When Thaksin came to office in 2001, the south was the last fiefdom of the Democrat Party. He almost immediately set about reforming the administration of that region. He disbanded the



Southern Border Provinces Administration Centre, which had overseen the shaky peace of the previous two decades. He strengthened central controls, and began replacing local officials with his own appointees. He particularly favoured the police, where he had strong support, over the army, whose political loyalties were more divided.

In the wake of the 9/11 bombing Thaksin committed Thailand to President Bush's "war on terror". This provoked some disquiet in the south, but it did not have any significant immediate consequences. Thaksin apparently did not believe that Thailand faced a serious Islamist threat, and believed increased development funding would overcome any problems he might encounter in the south. This changed with the arrest of Hambali (the Malaysian-born Jamaah Islamiyah operative who masterminded the Bali bombings) on Thai soil in August 2003. [\[15\]](#)

For the south itself, the turning point appears to have been Thaksin's wars on drugs and "dark influences" earlier that year. These inevitably had a major impact in the crime- and drug-ridden deep south. They were followed after the capture of Hambali by a campaign against Islamist groups. Thaksin appointed new police and military officers from Bangkok to implement this. Many of them knew nothing of the region or of Islam, and did not speak any local language. But they had targets to achieve. There was a wave of killings and kidnappings, attributed by locals to police seeking information on Islamist extremists.

The exact sequence of events remains obscure. However, the actions of the police and military, urged on from Bangkok, appear to have inflamed problems rather than solving them. There was a wave of raids on police and forest ranger offices to seize weapons. At first, these appeared scattered and unorganised. But in January 2004, there was a large-scale raid on an army camp in which 300 weapons were seized. It was preceded by 20 diversionary arson attacks, which threw the police and army into disarray. From that point, the conflict escalated rapidly. The massacre of 108 Muslims at the Krue Se mosque in April shocked the country. More importantly, it inflamed opinion in the south against Bangkok. So did the suppression of a demonstration at Tak Bai by the military in October which led to 85 deaths. Seventy-eight prisoners suffocated to death packed into trucks while being transported to army barracks.

In response to pressure from critics, Thaksin appointed a commission on national reconciliation headed by a former Prime Minister, Anand Panyarachun. It reported in March 2005 that the key problems in the south were not religious conflict but poverty, injustice and misgovernance. Thaksin welcomed the report, but backtracked on implementing its recommendations. He preferred to appeal to Thai patriotism and blame the growing problems of the deep south on criminals and terrorists. When Malaysia granted temporary asylum to people fleeing the violence in southern Thailand, Deputy Prime Minister Chidchai accused Kuala Lumpur of supporting the insurgents. Both Thaksin and Chadchai rejected negotiations on the grounds that this would only encourage the terrorists.

In June 2005 Thaksin appointed a peace-building committee, but he effectively killed it off by placing Chidchai in charge. Then he declared a state of emergency in the south. This guaranteed the police and the military immunity from prosecution for actions against the insurgents, including the killing of suspects. Some 20,000 new troops were sent to the region. To many Muslims it increasingly appeared as if their country was under a foreign occupation. One western analyst, Benjamin Pauker, wrote after a visit:

In Thailand's southern provinces, a visitor encounters scenes more reminiscent of Iraq or Afghanistan: car bombs are detonated outside government buildings, officials are beheaded, schoolteachers gunned down, soldiers stabbed to death, and families

massacred in their homes. ... Villagers in the south talk of government death squads roaming the jungles and executing Muslim schoolteachers and suspected ringleaders. Meanwhile, the military blames the killings on insurgents, drug smugglers, and bandits. Most of the victims, however, are Muslim, and their deaths appear to be at the government's hand.

Only in Iraqi, wrote Pauker, were more Muslims killed in 2004 than in Thailand. [\[16\]](#)

Thaksin's government claimed that since the declaration of the state of emergency, the situation in the south was under control. Events proved otherwise. In August 2006 the insurgents managed a coordinated wave of 130 attacks across three provinces, blowing up a railway station, karaoke bars, and the offices and homes of police and government officials. The militants appeared to "have good intelligence," said one analyst, while the government "does not seem to have a grip on the situation." He warned: "The violence is getting more out of control." [\[17\]](#) By this time some 1,700 people had been killed in the three provinces since January 2004.

It is still unclear exactly who the government has been fighting. The older Malay nationalist oriented groups appear to have little influence over the new insurgents, who draw inspiration from radical Islamist thought. Berijihad di Patani, a text found on the body of one of those killed at Krue Se gives some insight into such thinking. According to this document, Patani is a part of the land of Islam which has been invaded and occupied by infidels. War against the Thai state, its agents, and Muslims who collaborate with them, is therefore a just war to defend the community of believers against the enemies of Allah.

The document is written in a language alien to that of Malay nationalism, laden with Arabic and religious terms, and glorifying jihad and martyrdom:

Come, fight in the path of Allah until He grant us victory, which is, either we depart this life as martyrs or we defeat our enemy and the enemy of Allah. Know that the martyr blood flows in every one of us fellow Muslims who believe in Allah and the Prophet, which we inherited from our ancestors, who had sacrificed their lives in the path of Jihad. This blood is eager to spill onto the land, paint it red, and illuminate the sky at dawn and dusk, from east to west, so it will be known that the Patani land produces Jihad warriors. [\[18\]](#)

Press reports point to a number of shadowy groups, but little is known about their numbers, organisation or influence. Even locals opposed to the insurgents refuse to co-operate with the Thai police and military, who as a result "have found it virtually impossible to gather intelligence" in the deep south. [\[19\]](#) However, the generally accepted view is that there has been no involvement of external Islamist groups such as JI or Al Qaeda, and the Thai government is dealing with a movement which is essentially homegrown.

Concern that Thaksin's hard-line approach was failing went back to the beginning of the crisis. It was reinforced by Anand's report. In September 2005 Thaksin agreed to appoint Sonthi Boonyaratklin, an advocate of a more conciliatory approach, as Army Commander. Sonthi was a Muslim, the first to head the Thai army, although he was not from the south. He was born in central Thailand, into a prominent Muslim family with palace connections. He distinguished himself in Prem's counter-insurgency war in the 1970s. In the 1990s he worked under Gen Surayud Chulanont at the Special Warfare Command, an organisation he himself headed before he became Army

Commander.

Sonthi's softer line had support in high places. His old Special Warfare Command boss was now a man of influence in the palace. Surayud had risen through the ranks of the staunchly anti-communist Thai military in the 1970s, even though his father was a prominent communist leader. Surayud served as an aide to Prem when he was Army Commander, and he stayed with him when he became Prime Minister. In 1992, troops under his command fired on demonstrators against the unpopular military regime of Suchinda Kraprayoon. This experience convinced him of the need for the military to stay out of politics. He then played a central role in reforming the Thai military in the 1990s, removing its most corrupt elements and professionalising it. He subsequently rose to become Army Commander, then Supreme Commander. When he retired in 2003, his old mentor Gen Prem (now affectionately known as "Pa Prem") had become Chair of the Privy Council, the King's key advisory body. Prem invited Surayud to join the Privy Council, and he accepted.

Prem and Surayud were following the situation in the south with growing alarm. One of Surayud's last actions as Supreme Commander had been to visit the region following the arrest of Hambali, to assure local leaders that this action was not anti-Muslim and enlist their support against the Islamist extremists. In early 2005 he visited the south again, and returned to Bangkok deeply alarmed. He warned that if the grievances of the people there were not addressed, Thailand could face an insurgency as powerful as that of the communists in the 1970s. He told reporters:

This long-standing and bitter problem has become chronic. If this wound is not treated properly, it will grow to become a malignant tumour that cannot be cured. ... Thailand had a problem like this before. This will be the second time. The first time, the communist movement happened in Thailand, because most poor villagers in the northeast didn't get justice. Simply put, there was injustice going on in the countryside, and it created the conditions for communism to grow. [20]

In his embrace of the new managerialism, Thaksin had discarded what an influential group of senior military officers regarded as the central lesson of the struggle against communism a quarter of a century earlier. In their view, his handling of the south was creating the conditions for an Islamist insurgency to grow. He was turning the southern problem into a serious threat to national security, and they regarded safeguarding national security as their special responsibility.

### **The Path to the Coup**

The Shin Corp scandal turned public opinion in Bangkok decisively against Thaksin, although he still retained the support of a large part of the electorate elsewhere. The April elections had led to Thaksin's effective dismissal by the King until new elections could be organised. But he clung to power tenaciously, first using Chidchai as a front man and then in his own right as a "caretaker" Prime Minister. While this situation persisted, Thailand was without a normally functioning government. In the end, he lost power because he failed to win control of the military.

The coup was preceded by an intensifying conflict between pro-Thaksin and royalist forces within the military. From his days in cadet school and in the police, Thaksin had developed a network of family, friends and contacts, which he maintained, through his business and political careers. Once in office he tried to advance them through patronage, as he had done elsewhere. This fed into the dispute over how to handle the southern question.

When Thaksin became Prime Minister, Surayud held the post of Army Commander. Time magazine

would shortly call him the most important Thai military figure of the modern era, and an "Asian hero" because of his role in reforming the Thai military in the 1990s. [21] This was not a view shared by Thaksin. The two men soon fell out over relations with Burma. This country was the main source of illicit drugs for the Thai market. As part of his cleanup of corruption, Surayud pursued a policy of active interdiction along the Burmese border. His troops frequently clashed with drug smugglers and the Burmese troops protecting them. But Thaksin's priority was expanding trade relations with the generals in Rangoon, and in this context the activities of Surayud's troops were a significant irritant. Thaksin removed him from control of the army in 2002 by promoting him to the largely honorific post of Supreme Commander. However the main reason for promoting Surayud was to open the way for the promotion of Thaksin's cousin Chaisit Shinawatra.

After three decades of military service in obscurity, Chaisit's career suddenly blossomed when Thaksin became Prime Minister. He served as Thaksin's Army Commander in 2003-2004, and faithfully implemented Thaksin's orders. It was on his watch that the new insurgency in the south was born. His tenure was also notable for his plans to privatise the army-owned Channel 5 television station. None of this impeded his rise. In 2004, Thaksin promoted Chaisit to the post of Supreme Commander, a post from which he retired in 2005 with full honours.

The 2005 round of promotions in the military were notable for the advancement of Thaksin's old classmates from cadet school. The Bangkok Nation reported these appointments under the heading "PM's military pals get nod in latest reshuffle." [22] As a result, many of the army units stationed in Bangkok came under the control of officers loyal to Thaksin. This was of political significance as these units were the ones most strategically located to carry out or block a military coup. However not everything went Thaksin's way in 2005. As already noted, Sonthi became Army commander.

Tensions between Thaksin and his supporters on the one side, and Sonthi, Surayud and Prem on the other, mounted over 2006. Rumours of the possibility of a coup began to circulate in March, after the Shin Corp scandal and the falling-out between Thaksin and the King. In July Thaksin denounced a "charismatic person" who was trying to oust him from office. This was taken to be a reference to Prem. He responded by making a speech telling soldiers that they owed their loyalty to the King and the people rather than the Prime Minister of the day. At the same time, Sonthi organised a redeployment of troops in the Bangkok area to the provinces. The units concerned were those controlled by Thaksin loyalists. The Thai News Service explained the significance of this: "Sonthi's move ... amounts to a pre-emptive strike, crippling the ability of Thaksin's military allies to intervene in or exert undue influence over political affairs. If Thaksin wants to retain his clout and use the military as a power base, then he has to plot round two to counter Sonthi's blitz." [23] In August, a plot to kill Thaksin with a car bomb was uncovered. A low ranking officer was arrested. At Thaksin's insistence, the police interrogated senior army officers over the matter, but they found no incriminating evidence. Thaksin accused the military command of a cover-up. Anti-Thaksin forces spread rumours that he had faked the bomb plot himself, in order to attack his enemies in the military.

This was the climate in which the question of the next round of military promotions came up for consideration. The Supreme Command and Thaksin were soon at odds. He refused to accept the list of promotions that they submitted to him, while they refused to submit the alternate list that he drafted for them. Senior officers lobbied Prem for royal intervention. Thaksin reluctantly dropped his demands, but promised his supporters that one of them would replace Sonthi as Army Commander. The issue was still unresolved when Thaksin left Thailand in mid-September, to attend the meeting of the Non-Aligned Movement in Havana and then visit the US.

By this time it was clear that Thaksin's efforts to gain control of the military had failed. Worse, his aggressive use of patronage had further antagonised senior officers who already opposed to his

policies in the south, and who had strong links to the palace.

Things were also going badly for Thaksin on other fronts. Three of the commissioners who had organised the April election for him were now in jail, convicted on corruption charges. Thaksin himself was facing court proceedings over a business deal gone bad, which could lead to a seven-year jail sentence. He could not shake off demands for investigation of the Shin Corp-Temasek deal. Both TRT and the Democrats were facing legal actions which could result in their dissolution. The elections scheduled for October had to be put off until November, and further postponements appeared inevitable. Large demonstrations demanding his resignation were being organised in the capital, which was now swirling with rumours of an impending military coup. To this point, Thaksin had toughed-out every challenge. But now even he began to wilt. Before he left Bangkok, a haggard-looking Thaksin told a TV interviewer that he was contemplating handing the government over to a "trusted friend." [\[24\]](#)

The coup finally came while Thaksin was in New York. The trigger was anti-Thaksin rallies planned for September 20. On the eve of the demonstrations, troops from provincial areas were ordered to Bangkok to maintain security. These troop movements became a scramble by the royalist and pro-Thaksin factions for control of strategic locations in the capital, and to win over uncommitted military commanders. By late afternoon most strategic points around the city were in the hands of Sonthi's men. In a last-minute attempt to cling to power, Thaksin sent a phone message to a Thai television channel declaring a state of emergency and demanding that Sonthi report to Deputy Prime Minister Chidchai. This was ignored. The familiar ritual climax of a military coup took place soon after: television channels suspended normal programming to show portraits of the King and play military music; then sombre announcers appeared reading the news that Sonthi, heading a Council for Democratic Reform under Constitutional Monarchy, had assumed power. The coup was a remarkably peaceful affair - over the whole day, not a single shot was fired.

Sonthi dismissed the Prime Minister, suspended the constitution, and declared martial law. This was necessary, he said, because Thaksin had divided the nation, undermined institutions of government, and engaged in corrupt practices. Sonthi said he would act as temporary Prime Minister for two weeks before handing over power to an interim government. The King issued a statement endorsing the coup, calling on the people to remain calm, and instructing officials to follow Sonthi's orders. Sonthi said that Thaksin was welcome to return to Thailand if he wished, but he would have to face the courts if he did. Thaksin preferred to take up residence in his home in London. He said nothing to the media, beyond explaining that he was very tired and needed to rest. A month later his wife, who had stayed in Bangkok to tidy up family matters - which she declined to discuss with the media - joined him there.

### **The post-Thaksin regime takes shape**

In his role as head of the Council for Democratic Reform under Constitutional Monarchy, Sonthi appointed a new Legislative Assembly and a new Prime Minister. The old bureaucratic polity was well in evidence in the new parliament, with the appointment of numerous bureaucrats and active and retired military officers. However, Sonthi also appointed a wide range of figures drawn from a newer Thailand - there were bankers, academics, journalists, and NGO workers. He also appointed seven Muslims (some rumoured to have contacts with the southern insurgents).

Sonthi appointed Surayud as Prime Minister, who in turn chose a 26-member cabinet. In his first statement in the office, Surayud declared that the country had rejected Thaksin's obsession with economic growth and making money. It would instead emphasise the King's theory of self-sufficiency, happiness and morality. This produced a flurry of alarm on money markets, but Surayud's appointments in the economic ministries soon calmed them. Pridiyathorn Devakula,



director of the country's central banker (and 2005 winner of The Bankers Magazine's Asian banker award) became Finance Minister. It would be business as usual. Surayud's choice of Foreign Minister was also calculated to placate his critics in the Bush administration. He selected Nitya Phibulsonnram, a former Ambassador to the US, and the chief negotiator of Thailand's Free Trade Agreement with the US.

It is standard procedure following a coup for the new government to launch inquiries into corruption under its predecessor. Sonthi announced that the National Counter Corruption Commission, neutered under Thaksin, would be empowered to investigate irregularities by members of the Thaksin government and others. The Commission established a committee to do this and it showed every sign of relishing the task. It had the power to seize the assets not only of suspects, but of members of their families as well. In particular, the legality of Shin Corp-Temasek dealings would now be fully investigated. With this news, the price of Shin Corp shares plunged dramatically; if Temasek is found guilty of holding Shin Corp shares illegally, it will face not only the prospect of a hefty fine, but also of selling off these shares at a massive loss. The Singapore government was reported to be furious, but received little sympathy in Bangkok. "Singapore fell into the 'Thaksin trap,'" commented one newspaper, "by allowing the deal to be done in the 'Thaksin way,' ie, fraught with murkiness, the exploitation of legal loopholes and a disregard for the possibility that key national laws might be breached." [\[25\]](#)

Thailand's political parties were by now in disarray. TRT had marginalised the other parties, but was itself built around Thaksin's money and controlling personality. Following his departure, it disintegrated rapidly. Senior TRT figures, facing the prospect of being banned from politics if the party was successfully prosecuted for misconduct, rushed to distance themselves from the party. The Democrats, the only other major party, also faced the prospect of dissolution by the courts. The smaller political parties were by now little more than an assortment of discredited personal cliques. Their standing was not enhanced by the sudden influx of deserters from TRT. Never before had party-politicians been held in such low regard in Thailand.

Thus, when Sonthi and Surayud formed their new government, they almost completely disregarded the party-politicians. There were only four of them in the new parliament, and just one in the new cabinet - and that man, Kosit Panpiemras, also happened to be "a long-time confidant of Privy Councillor General Prem Tinsulanonda." [\[26\]](#) Under these circumstances it was not surprising that Sonthi and Surayud turned to the core constituencies of the old bureaucratic polity - the public service and the military. What is perhaps surprising is the extent to which they also drew on professionals and activists from outside those constituencies. Even here, however, a "technocratic" emphasis on expertise rather than representation was evident. The decision to include Muslim leaders from the south was an exception to this. One consequence of this technocratic emphasis was that the rural constituencies which had delivered Thaksin his electoral majorities were without a voice in the new parliament and government.

Sonthi promised a return to democracy within 12 months. In the meantime the appointed parliament and executive were to operate under a charter issued by Sonthi. The parliament had the responsibility of drafting a new constitution and holding the executive to account. However, both parliament and the executive had been appointed by the Council for Democratic Reform under Constitutional Monarchy, now renamed the Council for National Security, and this was the body which had the power to dismiss them. New elections would be held once the parliament produced a constitution which - in the judgement of the CNS - would prevent the abuses of power that occurred in Thaksin's years in government.

The new government moved quickly to address the southern problem. Thaksin appointees in charge of security and drug enforcement were removed from office. Sonthi also quickly approved the 2006



round of military promotions, sidelining Thaksin supporters, and rewarding army officers who had supported the royalist faction in the coup. Then Surayud appointed one of his old classmates, Boonrawd Sontas, as Defence Minister. He also appointed Aree Wong Ara-ya as Minister of the Interior. Aree was a Muslim who had worked for many years in the south for Bangkok on sensitive educational issues. The old Southern Border Provinces Administration Centre abolished by Thaksin was reinstated. Less than a month after the coup, the royalists were fully in charge of security and the southern question.

Most Bangkok people welcomed the coup. The response in Thaksin's electoral strongholds in the North and Northeast appears to have been one of resigned acceptance, doubtless reinforced by the King's public support for the coup. Even so, one of Surayud's first actions was to undertake an extensive tour of the Northeast to meet with villagers, and to assure them that their interests would be looked after under his government. His Health Minister not only assured voters that hospital visits would continue to be subsidised, but also promised that in future they would be free. In the south, the coup and the changes that followed were widely welcomed. Religious leaders, business people and academics all said that Sonthi, Surayud and their team understood the region and its problems.

In one of his first statements after the coup, Sonthi declared that he was willing to negotiate with the insurgents. Mahathir Mohamad, the former Malaysian Prime Minister, revealed that he had overseen unofficial discussions between Thai officials and leaders of secessionist groups over the previous year. The leaders of these groups were keen to return from exile, and willing to work with the Thai government provided that Islamic and Malay culture was treated with respect. Mahathir noted that they were no longer demanding that the southern region be separated from Thailand. Surayud promised that his government would work closely with Malaysia in addressing the problems of southern Thailand.

The coup leaders had clear ideas of what they wanted. The first was the restoration of effective government, freed of the abuses of the Thaksin era, and the second was a change of course in dealing with the southern question. Their motives were conservative but not reactionary. Sonthi, Surayud and Prem were themselves from the heart of the old bureaucratic polity, and they drew heavily on this constituency in creating their interim government. However this reflected the failure of Thailand's parliamentary system to provide the constraints on executive power intended in the 1997 constitution. There is no evidence that they hanker for a return to the old days of unfettered military dominance, or that they are hostile to democracy. Indeed, they had played an important role in adapting the Thai military to the new era. Surayud has repeatedly declared his intention of standing down once the new constitution is in place, and new elections are held.

Such statements are creating expectations which it will be difficult for Surayud to evade even if he wished to. He knows very well that Thailand's last military dictator, General Suchinda Kraprayoon, made such promises and reneged on them in 1992. This provoked mass demonstrations and royal intervention, which drove him from office disgraced and discredited. So far, Surayud seems to be modelling his administration on the one Anand Panyarachun set up in the wake of Suchinda's downfall. Anand oversaw the successful restoration of parliamentary government, a role for which he is still honoured. (This is the same Anand who Thaksin asked to report on how to deal with the south in 2005, and whose findings he then disregarded.)

### **The Thaksin regime in perspective**

Thaksin was a divisive figure. To his opponents, he was a devil who greedily exploited his office and the trust of the people for personal gain, abused human rights mercilessly, and was rapidly becoming a dictator. To his admirers, he was an angel, a champion of the poor laid low by the forces

of darkness and backwardness from which he had been trying to save his country. A more balanced perspective is needed.

Thaksin was a Thai variant of a type recognisable in the history of other countries - the tycoon capitalist emerging during the transformation of a pre-industrial world of small business into today's world of large corporations and conglomerates. He took the obsessive, aggressive and ruthless attitudes of the business tycoon into politics. His outlook differed from that of the old robber barons principally in that it found expression through his ideas of "new management." This ideology was centralist and authoritarian, and fundamentally incompatible with democratic governance. Hence the damage Thaksin did to the limits on executive power created by the 1997 reforms, and hence his aggressive attitude towards people who did not fit his vision. It was this attitude, which more than anything else, underpinned his mishandling of the crisis in the deep south.

Kasian Tejapira has characterised Thaksin's government as "the first assumption of capitalist state power by the big capitalists themselves." [27] As the old political elites had failed to protect their interests in the crisis of 1997, the big capitalists took direct control of the state. This is partially true. Thaksin's nationalism was first and foremost a defence of debt-ridden Thai businesses against international creditors and the IMF. His government did much to recreate the climate of easy moneymaking that existed before the crisis.

However, this is only part of the story. Thaksin was not running a business lobby group working behind closed doors; he created a political party which, at least for a time, transformed Thai politics. He created a substantial lower-class electoral base for big business politics. This paralleled similar efforts by New Right politicians elsewhere, including John Howard's appeals to the "battlers" in Australia, and it was extraordinarily successful. Thaksin did this by appealing to the voters with policies that offered tangible benefits for them combined with an ideology of self-improvement and upward mobility. We may deplore this as crude pork-barrel brand of politics, inspired by a right wing ideology, and shaped by textbooks on customer-focused marketing. But the central fact remains that Thaksin's political originality lay in treating Thai voters as if they mattered. Their response showed that they liked this idea. His success reflects the absence from Thai politics of a political party which had seriously attempted to mobilise the electoral power of lower-class voters.

Yet Thaksin was himself a product of the old system of money-politics, and once in office he reproduced it on a grander scale. The system had served him well, and he seemed oblivious to the growing distaste for this style of politics among Thailand's new middle class. He was quite incapable of distinguishing between the interests of business generally, his own family business interests, and those of the nation as a whole. His rhetoric of reforming and modernising Thailand's bureaucracy translated into a practice little different from the patronage politics and favouritism of the past, except that it was more centralised. The inability to see a country as more than a company, and its citizens are more than employees underlay the failure of Thaksin's government in the deep south.

Thaksin was unwilling to accept the checks and balances the Thai political system tried to impose on elected leaders. He exploited the democratic provisions of the 1997 constitution to undermine the liberal provisions. The inability of anyone to bring him to heel before the military coup has exposed the weaknesses of Thailand's democratic institutions.

Yet Thaksin was not a dictator. His attempts to undermine institutions which would constrain his actions had only limited success, and he soon found himself fighting a losing battle against the courts and the King. Mass demonstrations against him angered him, but he did not have the demonstrators beaten, jailed or shot. He did not even subject his opponents to the type of persecution through tame courts favoured by his Singaporean hero Lee Kwan Yew. He discarded human rights when dealing with those he regarded as "enemies of society" - drug-dealers, criminals,

and Islamist terrorists. The state of emergency he declared in the deep south effectively made him dictator over those provinces. Yet this only strengthened opposition to him in Bangkok. He failed in his efforts to win control over the military; and a dictator without the firm backing of the military is a mere pretender.

The leaders of the coup against Thaksin will find it easy enough to write a new constitution making executive power more transparent and accountable. They will find it harder to ensure that political leaders will observe this in letter and spirit. In the Western political systems to which Thailand's 1997 constitutional reforms looked, this role is played by political parties - though their role is not as a rule defined in constitutions. It is political parties which mobilise political participation, articulate the interests of various social groups, and broker compromises between them. It is an effective parliamentary opposition which holds the executive to account, not simply the provisions of a constitution. Thailand's political parties have performed these roles poorly, and parliamentary government has been the weaker for it. That is why Thailand found itself relying on the reluctant intervention of the King and the military to check abuses of executive power by Thaksin, and why the images coming out of Thailand after 19 September did not fit those of the stereotypical coup.

The downfall of Thaksin Shinawatra was not a throwback to the past, but a response to serious deficiencies in Thailand's post-1997 political system as revealed through Thaksin's government. The most fundamental of these was the absence of strong, inclusive political parties to underpin Thailand's formally democratic system. This weakness allowed the untrammelled dominance of big business interests through the TRT, expressed through Thaksin's ideology of the CEO-state. His failure demonstrated the political limitations of this ideology and the interests it expressed. Running a country is not the same as running a company after all.

## Information about the author

Kelvin Rowley is Senior Lecturer in the Faculty of Life and Social Sciences at Swinburne University of Technology, Melbourne. He has been studying Australian, Asian and international politics for over thirty years. He was one of the first westerners to visit Cambodia after the fall of the Pol Pot regime, and wrote extensively on the Cambodian conflict in the 1980s and 1990s. He has also visited Thailand many times.

He is the author of '[Second Life, Second Death: The Khmer Rouge After 1978](#)', in Susan E. Cook (ed), *Genocide in Cambodia and Rwanda: New Perspectives*, New York, Transaction Publishers, 2005, and is co-author (with Grant Evans) of *Red Brotherhood at War: Vietnam, Cambodia and Laos since 1975*. He also contributed the Cambodia entry to Bogdan Szajkowski (ed), *Political Parties of the World*, 6th ed, London, John Harper, 2005.

Contact: Kelvin Rowley - [krowley@groupwise.swin.edu.au](mailto:krowley@groupwise.swin.edu.au)

## End notes

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Nautilus Institute

608 San Miguel Ave., Berkeley, CA 94707-1535 | Phone: (510) 423-0372 | Email:

[nautilus@nautilus.org](mailto:nautilus@nautilus.org)