



THAILAND'S PRIME MINISTER VISITS THE U.S.

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SUMMARY

- On October 2, General Prayuth Chan-o-cha will become the first Thai prime minister to visit the U.S. since 2005.
- Prime Minister Prayuth was invited as part of the Trump administration's efforts to "reset" the alliance, which was damaged after Thailand's 2014 coup and the U.S. response. U.S. businesses in Thailand may benefit from the increased ability of the U.S. government to advocate on their behalf that would come with warmer relations.
- The meeting is likely to focus on regional security issues such as North Korea and the South China Sea, as well as trade and investment. Thailand is one of the 15 countries with significant trade deficits cited in President Donald Trump's March 31 executive order, but punitive action is unlikely. Some human rights activists have criticized the meeting as another indication that President Trump is willing to overlook humanitarian abuses and embrace authoritarian leaders.
- Thailand may hold parliamentary elections between September and December 2018, and the structure of the new constitution will make it very difficult for larger political parties, such as those linked to former Prime Ministers and siblings, Thaksin Shinawatra and Yingluck Shinawatra, to have success. Yingluck Shinawatra is in London appealing for asylum. The resources that she and her brother Thaksin Shinawatra can bring to bear domestically are likely limited and ASG does not expect a resurgence of massive popular protest within the near future.
- Many analysts believe Prime Minister Prayuth is laying the groundwork to be selected as Prime Minister following the parliamentary elections as an outside "non-political" candidate if parliamentary elections do not produce a strong governing majority.

On October 2, Prime Minister General Prayuth Chan-o-cha will become the first Thai prime minister to visit the White House since 2005. The long delay for one of America's oldest allies is part of the reason that many Thailand experts touted the need for a "reset" in relations when President Trump took office. Thailand is the United States' oldest treaty partner in Asia, with a relationship stretching back 184 years. The series of military coups in Thailand that began in 2006 with the removal of Prime Minister Thaksin Shinawatra led to a downgrade of the relationship and cast a shadow over the alliance.

ABOUT ASG

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Thaksin, a populist who ran on promises to give impoverished areas of the country a taste of prosperity, was elected with a strong popular mandate in 2001, and was the first Thai prime minister since World War II to serve a full term. His increasing control over the country and the degree to which he seemed to be reshaping traditional corridors of power made Thailand's elites and royalists uncomfortable, and he was ousted in a coup in 2006 amid charges of widespread corruption. While elections were held in 2007, a shaky government, massive and destabilizing street conflict between "red-shirt" supporters of the Shinawatras, and "yellow-shirt" royalists and Bangkok elites led the military to step in again multiple times. Ultimately, the military removed Thaksin's sister, Yingluck Shinawatra, who was serving as prime minister, from power in 2014 and shut down the democratic process for a longer period.

The George W. Bush administration limited its response to the 2006 coup to what was required by law, only cutting off foreign military financing and participation in the International Military Education and Training (IMET) program. After the 2014 coup that removed Yingluck Shinawatra and installed Prayuth, the U.S. took a harder line, cutting off all high-level engagements and shrinking the important Cobra Gold joint military exercises, leading to a noticeable frostiness in the bilateral relationship. The next U.S. ambassador appointed after the coup, Glyn Davies, was vilified in Thai media for remarks about Thailand's lèse-majesté law, which criminalizes criticism of the monarchy, to the Foreign Correspondents Club in November 2015. He was briefly investigated for lèse-majesté himself. Other senior U.S. officials, such as Assistant Secretary of State for East Asia and the Pacific Danny Russel, also made remarks during visits to Thailand, that further stoked the ruling military's ire with the United States.

REINVIGORATING THE U.S.-THAI ALLIANCE

The Trump administration has tried to mend ties, first by sending Admiral Harry B. Harris of Pacific Command to attend the annual Cobra Gold exercises in February, as the highest ranking military officer to visit Thailand since 2014, and then via a phone call from Trump to Prayuth in April, during which Trump extended the invitation for the Prime Minister to visit Washington. The visit was initially announced for June, but was postponed without explanation. Prayuth has said the discussion with Trump will focus on "security, trade and investment, and regional problems", and that he expects it to be "cordial". Analysts have speculated that the two could announce new defense sales, the completion of pending deals such as the sale of black hawk helicopters that was agreed upon but never completed after the 2014 coup, and another expansion of Cobra Gold.

U.S. Security Concerns in the Region

The U.S. has focused heavily on securing ASEAN assistance with the North Korea issue, and is likely to press for commitments from Thailand to shut down North Korean-linked companies, crack down on trade between the two nations, and potentially to close the North Korean Embassy. The discussion will likely also touch on the role Thailand can play in regional discussions on the South China Sea. While Thailand is not a claimant, it has in the past been a moderating force in internal ASEAN disputes on the issue, and the U.S. likely hopes to encourage such leadership in the future. Thailand's support has also been crucial to the global war on terrorism, as Islamic militants have used Bangkok as a transit and meeting point in the past, and Thailand has a long-running Muslim Malay insurgency in its south.

The Future of U.S.-Thailand Trade



On the economic front, two-way trade remains robust, approximately \$40 billion in 2016, but Thailand was among the top 15 U.S. trading partners that were cited in [President Trump's March 31 executive order](#) requiring a report on the causes of the largest U.S. trade deficits. Thailand has the 11th largest trade deficit with the U.S., but the Thai Commerce Ministry issued a statement arguing that the deficit came from structural differences between the economies, rather than any unfair practices on Thailand's part. The U.S. is Thailand's third largest trading partner and third-largest investor.

The U.S.-Thailand Trade and Investment Framework (TIFA) July discussions focused on U.S. concerns over trade barriers to meat and other agriculture exports, an issue that is likely to be discussed. In September, United States Trade Representative Robert Lighthizer announced an out-of-cycle review of Thailand's presence on the Special 301 Watch List, citing progress in tackling intellectual property issues. The Special 301 Watch List has long been a concern of Thailand's, and the issue is likely to be tabled during the visit. U.S. Commerce Secretary Wilbur Ross visited Thailand on September 28 and met with Prime Minister Prayuth to tee up the talks. He also met with Deputy Prime Minister and economic czar Somkid Jatusripitak, who proposed the formation of a U.S.-Thai Strategic Partnership Committee that would focus on trade and investment and technology and education cooperation. Thai companies are likely to announce investments in the U.S., including in the petrochemical sector, during the visit.

The U.S. and Thailand entered free-trade agreement talks (FTA) under the Thaksin administration, but the negotiations stumbled over difficult issues, including IPR and pharmaceuticals. Thailand is not a party to the Trans-Pacific Partnership (TPP), though it expressed interest in joining in the future. Given the U.S. deficit with Thailand, it is unlikely the U.S. administration would consider FTA discussions without substantial concessions. However, U.S. businesses in Thailand may benefit in any case from the increased ability of the U.S. government to advocate on their behalf that would come with warmer relations.

UPDATE ON THAI POLITICS

On September 28, [CNN reported](#) that ousted Prime Minister Yingluck Shinawatra is in London appealing for political asylum. Yingluck fled the country shortly before August 25 to avoid a jail sentence stemming from a botched rice subsidy plan. Her brother Thaksin has also lived in exile since a 2008 conviction, splitting his time between London and Dubai. Yingluck was sentenced in absentia to five years in prison on September 27. The rice subsidy program allegedly caused \$17 billion worth of losses, she was held personally responsible for \$1 billion, resulting in her assets being frozen. The disastrous rice scheme, intended to shore up prices for Thailand's farmers, led to unsold rice piling up and Vietnam and India surpassing Thailand as the world's top rice exporters.

With both Thaksin and Yingluck in exile, and the Shinawatra fortune reportedly increasingly depleted, it is unclear if they have the resources to mobilize "red-shirt" supporters onto the streets to the extent that they once could. It is clear that security forces are unlikely to permit them the freedom to assemble widely in key areas in Bangkok, which allowed both red-shirts and yellow-shirts to periodically disrupt the capital with massive protests between 2008 and 2014. In any case, Thaksin may well prefer to take his chances at the voting booths, banking on the fact that parties linked to him have won every election since 2001, despite the disadvantage of not having himself or Yingluck at the helm could pose.

Thailand's Democratic Future



After the coup in 2014, Thailand's governing junta promised to return to democracy within 18 months, but first required a new constitution, the 20th since 1932, as a prerequisite. After an initial draft in 2015 was withdrawn, the junta put forward a version in 2016 that substantially altered the structure of government. Voting for the 500 seat lower house of parliament was changed to increase the influence of small- and medium-sized parties, and decrease the influence of Thaksin-linked parties like Puea Thai. A 250-seat appointed upper house was created, over which the military will hold significant sway.

Thailand's new charter was approved in a national referendum held in August 2016, but in October, Thailand's revered King Bhumibol Adulyadej, at the time the longest serving monarch in the world, passed away. His son and successor, Vajiralongkorn, delayed his approval of the new constitution until several changes were made, a strong signal to the military that he did not intend to be simply a figurehead, and would retain long-standing royal prerogatives. Vajiralongkorn's changes included shrinking the role of the judiciary in favor of the monarch, removing a requirement that royal orders be countersigned by a government minister, and allowing the king to travel abroad without a regent being appointed, an important issue for Vajiralongkorn since he spends a great deal of his time abroad in Germany.

Vajiralongkorn granted his approval in April 2017, clearing the way for Thailand to begin its political transition. For a new government to be formed, the Constitutional Drafting Committee must submit the draft law on parliamentary election, which is expected on or around December 2. The constitution mandates an election be held within 150 days once the law is finalized, putting the most likely timeline between October and December of 2018 depending upon the final approval of the election laws. Political campaigns will not resume until after the cremation of King Bhumibol, set for October 25-29, and the coronation of King Vajiralongkorn, which has not yet been scheduled.

The new governmental structure puts in place a more pliable party structure, and suggests the military will have a greater role in controlling any future government. The constitution allows the outline of a national strategy, which the junta put forth in a mid-March document offering a "20-year master plan" that encompasses mostly vague, aspirational plans such as improving competitiveness, addressing income inequality, building human capital, and developing a green economy. Government spokesman Major General Werachon stated that any future civilian government would have to "formulate its plans based on the national strategy." The details of the strategy are to be filled out by committees after public consultation, leaving another avenue for the junta to maintain control past the date of the elections.

The net result is that whenever elections are held, political parties are likely to need the support of the military to form a new government and they will have minimal independence. Many analysts speculate that it is unlikely that any party will be able to form a majority in the lower house of parliament under the new rules, leaving the door open for the military-appointed Senate to select Prayuth to remain in the role as an "outside" candidate. He has recently been ramping up his travel to so-called "battleground" provinces, and it appears that he faces few obstacles to retaining power.

ASG's [East Asia & Pacific Practice](#) has extensive experience helping clients navigate markets across the East Asia & Pacific region. For questions or to arrange a follow-up conversation please contact [Anthony Nelson](#).

