Thailand: Background and U.S. Relations

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Summary

Thailand is a long-time military ally and a significant trade and economic partner for the United States. In 2013, Thailand was the United States’ 24th largest goods trading partner, with $38.0 billion in total two-way goods trade. For many years, Thailand was also seen as a model of stable democracy in Southeast Asia, although this image, along with U.S. relations, has been complicated by deep political and economic instability in the wake of two military coups in the past eight years. The first, in 2006, displaced Prime Minister Thaksin Shinawatra, a popular but polarizing figure who remains a focus of many divisions within Thailand. The second, in 2014, deposed an acting prime minister after Thaksin’s sister, Yingluck Shinawatra, was ousted from the premiership by a Constitutional Court decision that many saw as politically motivated.

In recent years, Thai politics have been dominated by rivalries between populist forces led by Thaksin (now in exile) and his opponents, a mix of conservative royalists and military figures, and other Bangkok elites. Despite his exile, pro-Thaksin political parties have won the three nationwide elections since his ouster. Mass movements both supporting and opposing Thaksin have staged vigorous demonstrations, including protests in 2010 that spilled over to riots in Bangkok and other cities, causing the worst street violence in Thailand in decades. The ruling military government has indicated that national elections will not be held for at least a year. Many analysts expect violence to continue, particularly from the disenfranchised voters who support Thaksin. Risks are heightened by uncertainty about the health of Thailand’s widely revered King Bhumiphol Adulyadej, who is 86 and has been hospitalized for much of the past four years.

The 2014 coup threatens to derail the traditionally strong U.S.-Thai security relationship and could disrupt trade and investment links as well. Military-to-military cooperation has been robust in terms of security assistance, training, and military exercises, and Thailand provides access to strategically key facilities such as the Utapao air base. The United States has suspended security assistance funds, and the rationale for maintaining the defense relationship may falter in the face of the military’s record of overthrowing democratically elected leaders. On the other hand, Thailand’s strategic position and the U.S. emphasis on ASEAN as a multilateral platform for engaging the Asia Pacific region are strong motivations for continuing the partnership. Thailand maintains close relations with China and is considered by some to be a key arena of competition between Beijing and Washington for influence. Given its internal unrest, Bangkok’s ability to be a regional leader is uncertain.

Thailand faces domestic problems as well. Successive Thai governments have been unable to stem violence by insurgents in the southern majority-Muslim provinces. The United States and the international community have raised concern about human trafficking, large refugee populations within Thailand’s borders, and human rights and democracy conditions, all of which present challenges to the Thai government.

This report will be updated periodically.
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Overview of U.S.–Thailand Relations

An American treaty ally since 1954, Thailand was for years praised as an economic and democratic success story. The U.S.-Thai relationship, solidified during the Cold War, expanded on the basis of shared economic and security interests. Thailand is a large trade and investment partner for the United States, and U.S. access to Thai military facilities and sustained military-to-military cooperation make Thailand an important element of the U.S. strategic presence in the Asia-Pacific region.

The country’s political stability and democratic development have been shaken, however, by extensive political turmoil and two military coups in the past eight years. Since the 2006 coup that deposed populist Prime Minister Thaksin Shinawatra, protests from both sides of the political divide have continued sporadically, sometimes exploding into violence, until the military again seized power in May 2014. Societal divisions—largely between urban elites and the larger rural population—appear to be deep and lasting. Anxiety about the royal succession process looms over the political landscape as the king, 86 years old and in poor health, has receded from public view.

The situation in Thailand presents a stark challenge for the United States to balance support for electoral democracy and close diplomatic relations with an ally. Thailand serves as a regional operational platform for over 50 U.S. government agencies, with particularly strong programs in health care and infectious disease research, law enforcement, and refugee assistance. Thailand’s cooperation is critical to efforts such as facilitating neighboring Burma’s democratic transition and addressing cross-border problems like human trafficking and refugee flows. As the Obama Administration executes its policy of rebalancing to Asia, a stable Thailand could provide a critical anchor for additional U.S. initiatives such as broadening regional defense cooperation, fostering more liberal trade and investment regimes in Asia, and strengthening the region’s multilateral organizations. However, Bangkok’s internal problems and the resulting damage to the U.S.-Thai relationship make such a role difficult to envision, pointing to the deep costs that the turmoil may have for U.S. interests in the region.

Another motivation for maintaining strong relations with Bangkok is the ongoing competition with Beijing for influence in Southeast Asia. Thailand serves as the regional coordinator of talks between Southeast Asian nations and China on a Code of Conduct in the South China Sea. With Bangkok consumed with its own political crisis, analysts believe Thailand’s ability to help with regional initiatives, including those supported by the United States, is highly limited. With the prospect that the military may hold on to power until the royal succession unfolds, perhaps over several years, U.S. policy makers must judge how stringently to advocate democratic principles in its relations with Bangkok.

In the past, many analysts say Thailand has demonstrated a remarkable ability to “muddle through” its crises; despite periodic bouts of violence and political discord, accommodations have been made to allow Thailand’s government and economy to move forward. Many experts say this time may be different and that Thailand is convulsing through a historic transition. The current monarch has been in place for 65 years. Many analysts believe the inevitable royal succession, when it comes, could reshape the role the palace plays within Thailand’s political structure. Critical questions about Thailand’s future loom: Without representative government, how will the disenfranchised majority respond? Is civil war possible? Which succession scenarios could further destabilize the country, and which could restore some degree of unity for Thais? What role
will Thaksin and his supporters play? Will foreign investors shy away from Thailand given the uncertainties? With Thailand’s long borders and central geographic position in Southeast Asia, what are the regional repercussions of Bangkok’s political quagmire? If Thailand is under a military government for an extended period, what are the implications for U.S. relations with one of its Asian treaty allies, and for U.S. policy in the region?

**Political Crisis and Military Coup in 2013-2014**

Thai politics, in crisis since fall 2013, was thrown into further turmoil when the Royal Thai military seized power in Bangkok on May 22, 2014. Initially declaring martial law on May 20, calling the move “softer than a coup,” Army Commander Prayuth Chan-ocha formalized the military coup two days later. The military then dissolved the Parliament, detained political leaders and academics, imposed a curfew, and restricted media outlets. Sporadic violence in the months leading up to the coup left 28 people dead, but there was no widespread bloodshed associated with the coup itself. Prayuth announced that a group of senior military leaders known as the National Peace and Order Maintaining Council will govern Thailand until a political solution emerges, and later announced that elections would not be held for over a year.

Among those detained and later released under house arrest was former Prime Minister Yingluck Shinawatra, who had been ousted from office by the Thailand Constitutional Court a few weeks earlier. Elected in a landslide in July 2011, Yingluck is the sister of Thaksin Shinawatra, who was deposed in Thailand’s last military coup in 2006 and remains a powerful figure in Thai politics. Thaksin and his supporters, many of whom hail from the rural, poorer regions of Thailand, have won all six national elections since 2001, but their leaders have been removed from office either by a military coup or by a court order. This group of Thaksin supporters, broadly known as the “Red Shirts,” is pitted against a competing faction known as the “Yellow Shirts,” led by Bangkok’s middle-class and wealthier elites traditionally aligned with the military and the royal family, who have opposed elections to break the long political stalemate.

Before the coup, Thai politics had been dysfunctional since October 2013, when the ruling party tabled a general amnesty bill that would have cleared Thaksin from his corruption conviction (as well as several opposition leaders from charges related to earlier protests). Large-scale opposition demonstrations erupted in the streets of Bangkok. The protestors, reported to be up to 200,000 at their peak, occupied several government compounds and created gridlock in areas of the capital city. Protest leaders called for the end of the “Thaksin regime” and demanded that a “people’s council” reporting to the King replace Parliament. New elections were held in February 2014, but the opposition Democrat Party boycotted the polls, and the courts later ruled that the election results were invalid. Until her removal by court order in early May, Yingluck remained the head of a “caretaker” government as demonstrations continued in Bangkok.

**U.S. Response to Coup**

The United States immediately suspended an estimated $10.5 million in foreign assistance to Thailand, cancelled a series of military exercises and Thai military officers’ visits, and urged a

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quick return to civilian rule and early elections. In a May 22 statement, Secretary of State Kerry said, “There is no justification for this coup ... I urge the restoration of civilian government immediately, a return to democracy, and respect for human rights and fundamental freedoms, such as press freedoms.” Kerry continued, “While we value our long friendship with the Thai people, this act will have negative implications for the U.S.—Thai relationship, especially for our relationship with the Thai military. We are reviewing our military and other assistance and engagements, consistent with U.S. law.”

The Administration has some latitude in determining how much assistance to suspend to Thailand. Aid that could continue because of “notwithstanding” clauses is generally humanitarian in nature: emergency food aid, international disaster assistance, migration and refugee aid, global health (HIV/AIDS, malaria, tuberculosis) programs, Child Survival programs, the Peace Corps, demining, and non-proliferation programs. The State Department was specific about the suspension of several military assistance programs: immediately following the coup, $3.5 million in unspent and unobligated Foreign Military Financing (FMF) assistance, consisting of training and education programs, as well as the remaining $85,000 of unspent funds this fiscal year for the International Military Education and Training (IMET) program were suspended. Thailand receives approximately $1.3 million in IMET annually.

Many observers saw the U.S. response to the last coup in 2006 as relatively mild. Although funding for development assistance and military financing and training programs were cut off while the military remained in power, U.S. assistance for law enforcement, counterterrorism and nonproliferation efforts, global health programs, and the Peace Corps remained in place. The annual Cobra Gold exercises—the largest multilateral military exercises in Asia—continued without interruption. It is unclear if the Administration will follow a similar pattern in response to the 2014 coup.

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2 http://www.state.gov/secretary/remarks/2014/05/226446.htm
3 The Consolidated Appropriations Act, 2014 (P.L. 113-76), at Division K, provides the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2014, and the general provisions within that Act provides, at 128 Stat. 494, the coup foreign aid cut-off language, as follows:

Sec. 7008. None of the funds appropriated or otherwise made available pursuant to titles III through VI of this Act shall be obligated or expended to finance directly any assistance to the government of any country whose duly elected head of government is deposed by military coup d'état or decree or, after the date of enactment of this Act, a coup d'état or decree in which the military plays a decisive role: Provided, That assistance may be resumed to such government if the President determines and certifies to the Committees on Appropriations that subsequent to the termination of assistance a democratically elected government has taken office: Provided further, That the provisions of this section shall not apply to assistance to promote democratic elections or public participation in democratic processes: Provided further, That funds made available pursuant to the previous provisos shall be subject to the regular notification procedures of the Committees on Appropriations.

Thailand Politics and Government

Historical Background

The Kingdom of Thailand, a constitutional monarchy with a parliamentary form of government, is marked by an important historical dissimilarity from its regional neighbors. Although occupied briefly by Japan during World War II, Thailand was the only country in Southeast Asia that was not colonized by Europeans, and it also avoided the wave of communist revolutions that took control of the neighboring governments of Cambodia, Laos, and Vietnam in the 1960s and 1970s. Thailand followed a troubled path to democracy, enduring a series of mostly bloodless coups and multiple changes of government in its modern history. Although Thailand became a constitutional monarchy in 1932, it was ruled primarily by military dictatorships until the early 1990s. A military and bureaucratic elite controlled Thai politics during this period, denying room for civilian democratic institutions to develop. Brief periods of democracy in the 1970s and 1980s ended with reassortments of military rule. After Thai soldiers killed at least 50 people in demonstrations demanding an end to military dominance of the government, international and domestic pressure led to new elections in 1992. The 2006 coup was the first in 15 years.

Thailand’s government is composed of the executive branch (prime minister as head of government and the king as chief of state), a bicameral National Assembly, and a judicial branch of three court systems. In the years immediately preceding Thaksin’s election in 2001, the Democrat Party dominated Thai politics by instituting a series of reforms that enhanced transparency, decentralized power from the urban centers, tackled corruption, and introduced a broad range of constitutional rights. Thaksin’s 2001-2006 tenure as Prime Minister was marked by an unprecedented centralization of power in the Prime Minister’s office, as well as the implementation of populist economic policies such as public subsidy of health care. Some of these developments, analysts note, set the context for the military’s decision to oust Thaksin in 2006.

Social Divisions and the Thai Political Landscape

The political turmoil in Thailand underscores a growing divide between the rural, mostly poor population and the urban middle class, largely based in Bangkok. By stoking Thai nationalism and providing inexpensive health care and other support to rural communities, Thaksin galvanized a populist movement in Thailand, with the support leading to emphatic electoral victories for his Thai Rak Thai Party, then the successor People’s Power Party (PPP) and the Puea Thai Party. This success threatened the traditional model of governance, which combines a powerful military backed by the royal family, an elite corps of bureaucrats, and a relatively weak executive government. Thaksin’s rise and fall—and the role he continues to play in Thai politics—did much to expose and exacerbate the country’s regional and class-based rifts.

These divisions have been emerging for years, but many hoped that the reckoning could unfold without bloodshed. The confrontation is no longer as simple as a conflict between mostly poor, rural Thaksin supporters and the elite, although those disparities remain significant and motivate many of the participants. The fight also involves regional rivalries; most of the protesters hail from the northeastern part of Thailand and resent the control emanating from the richer governing class in Bangkok. The differences are also exploited by politicians who are motivated by their own self-interest. Many Puea Thai politicians attached themselves to Thaksin to win votes but
come from the same privileged—and often corrupt—club of powerbrokers as members of the opposition party.

The competing protestors are divided between two main groups: the “yellow shirts” (with subgroups such as the People’s Alliance for Democracy and the People’s Democratic Reform Committee, among others) and the “red shirts” (sometimes known as the United Front for Democracy Against Dictatorship). The yellow shirts are a mix of the military, royalists, the bureaucracy, and largely urban and middle class citizens. The combination of Thaksin’s broad popularity and clampdown on opposition opinions in the media threatened many of those in the “old guard.” The red shirts are mostly Thaksin loyalists who supported his populist policies that benefited the poor, rural regions of Thailand. A fundamental divide between the two groups centers on the electoral process, with the yellow shirts arguing that ethical imperatives trump the polls, while the red shirts believe that governance should be determined entirely by the population’s vote.

Both sides have seen what they perceive as distortion of the system and have taken to the streets with their grievances throughout the past several years, with the worst violence in modern Thai history occurring in spring 2010 when the Democratic Party was in power. Anti-government protestors occupied parts of Bangkok for nine weeks. Initially peaceful, the demonstrations and the response from the security forces became increasingly aggressive, eventually spiraling into urban warfare. On May 19, 2010, armored vehicles and infantry troops stormed the protestors’ encampments and several protest leaders surrendered. By the time a military crackdown dispersed the crowds, at least 90 people were dead and up to 2,000 wounded. As the crisis exploded, splinter groups emerged within all of the major institutions: the government, the military, the police, the anti-government “red shirt” protestors, and the “yellow shirt” counter-protestors, who disrupted Bangkok with their own mass rallies in 2008. Rogue elements among the police and military forces and among the protestors’ ranks may have been responsible for the most egregious violence and damage that occurred during the stand-off.

Role of the Palace

The ailing King Bhumiphol Adulyadej has remained largely disengaged from the ongoing political crisis. Many analysts believe the current political tensions in Thailand are exacerbated by uncertainties over the succession process for the King, still widely revered at age 86. Because the palace has been one of the country’s most powerful institutions under the current monarch, many analysts believe that political and private actors in Thailand are jockeying for position under different potential succession scenarios—adding to the other political and social divisions evident in Thai society. The intense popularity of the king has traditionally provided an important pillar of stability for Thailand. In years past, when civil unrest spilled over into violence, the king’s public interventions had successfully stemmed the conflict. In 2014, the King’s lack of public involvement has added to the uncertainties, and pointed to the weakness of Thailand’s political and governmental institutions, which have been unable to lessen the roiling tensions within the country.

Due to stringent lèse-majesté laws, under which it is a crime, punishable with a prison term of up to 15 years, to “criticize, insult or threaten” the King, Queen, royal heir apparent, or regent, the issue of royal continuity is rarely broached publicly. According to news reports, the use of these legal provisions has soared in recent years: reportedly, the number of charges brought before the lower courts has risen from five or six a year in the early 2000s to 478 in 2010 and thousands of
websites have been blocked. An American was arrested for lèse-majesté in 2011, drawing complaints from the U.S. embassy in Bangkok.

U.S.-Thailand Security Relations

In many ways, the military-to-military connection has long been the strongest pillar of the U.S.-Thai relationship. The recent coups are therefore particularly problematic for maintaining strong bilateral relations, because U.S. aid suspension targets military assistance, cancels exercises, and chills security ties. Before the most recent coup, U.S. military leaders touted the alliance as apolitical and praised the Thai armed forces for exhibiting restraint amidst the competing protests and political turmoil. By seizing power, Prayuth and the Thai Army put themselves at the center of politics for the second time in eight years. Further, the overthrow of democratically elected leaders repudiates the years of U.S. training about the importance of civilian control of the military.

However, the strategic value of the alliance is high. The access that Thailand provides to military facilities, particularly the strategically located and well-equipped Utapao airbase, is considered invaluable to U.S. strategic planners. Utapao has been suggested as permanent Southeast Asian Humanitarian Assistance and Disaster Relief (HADR) hub based on its capacity to receive large aircraft (including C-17s and C-130s), location adjacent to a deep seaport, and infrastructure capable of handling command and control systems. Thailand annually hosts the multilateral Cobra Gold military exercises, the largest exercise in Asia and one of the largest worldwide.

The 2014 coup disrupted the strong momentum of the bilateral alliance, which had just recently recovered its funding to levels equivalent to the pre-2006 coup period. In November 2012, U.S. Defense Secretary Leon E. Panetta and Thai Defense Minister Sukampol Suwannathat signed the 2012 Joint Vision Statement for the Thai-U.S. Defense Alliance. The document celebrated 180 years of cooperation and updated the goals of the alliance, putting a particular emphasis on building regional security partnerships. U.S. officials noted Thailand’s commitment to building relationships with Myanmar’s armed forces by convening trilateral exercises with U.S. forces and the Thai military’s enthusiasm for further operational and strategic engagement.

Historical Background

The 1954 Manila Pact of the former Southeast Asia Treaty Organization (SEATO), together with the 1962 Thanat-Rusk communiqué, forms the basis of the U.S.-Thai security relationship. Although SEATO was dissolved in 1977, Article IV (1) of the Manila Pact, which calls for signatories to “act to meet the common danger” in the event of an attack in the treaty area, remains in force. Thailand has been considered to be one of the major U.S. security allies in East Asia, along with Japan, South Korea, Australia, the Philippines, and non-treaty partner Singapore.

The U.S. security relationship with Thailand has a firm historical foundation based on joint efforts in the Korean War, the Vietnam War, and the 1991 Persian Gulf War. Thailand sent more than 6,500 troops to serve in the United Nations Command during the Korean War, where the

Thai force suffered over 1,250 casualties. A decade later, the United States staged bombing raids and rescue missions over North Vietnam and Laos from Thailand. During the Vietnam War, up to 50,000 U.S. troops were based on Thai soil, and U.S. assistance poured into the country to help Thailand fight its own domestic communist insurgency. Thailand also sent troops to South Vietnam and Laos to aid the U.S. effort. The close security ties continued throughout the Cold War, with Thailand serving as a solid anti-Communist ally in the region. More recently, Thai ports and airfields played a crucial role in maintaining the flow of troops, equipment, and supplies in both the 1991 and 2003 Iraq wars.

In 2003, President George W. Bush designated Thailand as a “major non-NATO ally,” a distinction which allows more access to U.S. foreign aid and military assistance, including credit guarantees for major weapons purchases. Thaksin authorized the reopening of the Vietnam-era U.S. airbase in Utapao and a naval base in Sattahip, from which the U.S. military can logistically support forces in Afghanistan and the Middle East. Thailand also contributed troops to U.S. operations in Iraq and Afghanistan in the early 2000s. Thailand served as the logistics hub for much of the U.S. and international relief effort after the 2004 Indian Ocean tsunami and the 2008 Cyclone Nargis in Burma. U.S. relief operations by air and sea for the entire region were directed out of Utapao air base and Sattahip naval base.

Bilateral Security Cooperation

Security Assistance

The United States has provided funds for the purchase of weapons and equipment to the Thai military through the Foreign Military Financing (FMF) program (see Table 1). As a major non-NATO ally, Thailand also qualifies for the Excess Defense Articles (EDA) program, which allows for the transfer of used U.S. naval ships and aircraft. The United States faces stiff competitors in the foreign military sales market in Thailand, particularly because other countries are more willing to engage in barter trade for agricultural products. When the 2014 coup suspended FMF funds, the Thais were upgrading their F-16 fighter aircraft fleet and had agreed to purchase UH-72 Lakotas, the first international customer for the helicopters.

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8 Under Section 517 of the Foreign Assistance Act of 1961, the President can designate a non-North Atlantic Treaty Organization state as a major ally for the purposes of the Foreign Assistance Act and the Arms Export Control Act.
Table 1. U.S. Assistance to Thailand 2007-2014

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Sources: U.S. Department of State; USAID.

Notes: DA = Development Assistance; ESF = Economic Support Funds; FMF = Foreign Military Sales Financing; GH = Global Health; IMET = International Military Education and Training; INCLE = International Narcotics and Law Enforcement; NADR = Nonproliferation, Anti-Terrorism, Demining, & Related.

a. These programs were suspended on September 28, 2006, under Section 508 of the Foreign Operations Appropriations Act (P.L. 109-102) and resumed on February 6, 2008.

Military Exercises

Training opportunities for U.S. forces in Thailand are considered invaluable by the U.S. military. Before the coup, Thailand and the United States were conducting over 50 joint military exercises a year, including Cobra Gold, the world’s largest combined military exercise. For the February 2014 exercises, over 13,000 military personnel participated in the exercise. The fully participating nations include Thailand, the United States, Singapore, Japan, South Korea, Indonesia and Malaysia, with observers from several other Asian nations also joining, including, for the second time, military officials from Burma. In 2014 China became an “Observer Plus,” bringing personnel to participate in medical and humanitarian assistance projects.

Training

Tens of thousands of Thai military officers, including many of those in top leadership positions throughout the services and in the civilian agencies, have received U.S. training under the International Military Education and Training (IMET) program. Designed to enhance the professionalism of foreign militaries as well as improve defense cooperation with the United States, the program is regarded by many as a relatively low-cost, highly effective means to achieve U.S. national security goals. In 2013, over 100 Thai officers received training in the United States. IMET funding was suspended following both the 2006 and 2014 coups.
Intelligence

Intelligence cooperation between Thailand and the United States reportedly increased markedly after the September 11, 2001, attacks, culminating in the establishment of the Counter Terrorism Intelligence Center (known as the CTIC) in 2001. The CTIC, which combines personnel from Thailand’s intelligence agency and specialized branches of the military and armed forces, provides a forum for CIA personnel to work closely with their Thai counterparts, sharing facilities and information daily, according to reports from Thai security officials. Close cooperation in tracking Al Qaeda operatives who passed through Thailand reportedly intensified into active pursuit of suspected terrorists following the 9/11 strikes. The most public result of enhanced coordination was the arrest of suspected Jemaah Islamiyah leader Hambali, outside of Bangkok in August 2003. Other intelligence cooperation focuses on counter-narcotics or specialized military intelligence.

Law Enforcement

In 1998, the International Law Enforcement Academy (ILEA) Bangkok was established to provide legal training for officials to combat transnational crime. The center is open to government officials from any Southeast Asian country. ILEA Bangkok aims to enhance law enforcement capabilities in each country, as well as to encourage cross-border cooperation on issues like human trafficking and gang suppression. Instruction for the courses is provided largely by the Royal Thai Police, the Thai Office of the Narcotics Control Board, and various U.S. agencies, including the Diplomatic Security Service, the Federal Bureau of Investigation, the Drug Enforcement Agency (DEA), the Department of Homeland Security, and the Internal Revenue Service.

The arrest of Victor Bout, an international arms dealer, in Bangkok in 2008 was a highlight of U.S. and Thai law enforcement coordination, although the drawn-out extradition process also became an irritant to bilateral relations until his transfer to the United States in 2010.

Counter-Narcotics

Counter-narcotics cooperation between Thailand and the United States has been extensive and pre-dates the foundation of ILEA-Bangkok. Coordination between the DEA and Thailand’s law enforcement agencies, in conjunction with a mutual legal assistance treaty and an extradition treaty, has led to many arrests of international drug traffickers. Specialized programs include the establishment of Task Force 399, in which U.S. special forces train Thai units in narcotics interdiction tactics.

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10 Ibid.
11 ILEA-Bangkok is one of five ILEAs in the world. The others are located in Budapest, San Salvador, Gaborone, and Roswell, New Mexico.
U.S.-Thailand Trade and Economic Relations

Thailand’s economy has performed strongly for much of the nation’s period of political turmoil, although growth slowed in 2013 and many observers expect the deceleration to continue in 2014. Thailand is one of Southeast Asia’s more developed economies and has been for many years one of the region’s largest destinations for foreign direct investment. According to the World Bank, Thailand became an upper middle income economy in 2011.

In 2013, Thailand was the United States’s 24th largest goods trading partner, with $38.0 billion in total two-way goods trade. Overall, with services included, two-way trade with Thailand totaled $41 billion in 2012, the latest year for which such data are available, with an overall U.S. trade deficit with Thailand of $15 billion. Major exports from the United States include integrated circuits, computer parts, semi-conductors, cotton, aircraft parts, electronics, soybeans, and oil. Major imports to the United States include electronics, jewelry, seafood, clothing, furniture, natural rubber, auto parts, and rice.14 U.S. companies have substantial investments in Thailand. U.S. foreign direct investment (FDI) in Thailand was $16.9 billion in 2012, a 16% increase from the previous year, led by investments in the manufacturing and banking sectors. Thailand also receives substantial investment from other countries, notably Japan, China, and South Korea.

Thailand is not a member of the Trans-Pacific Partnership (TPP) trade negotiations, the Obama Administration’s signature economic initiative in Asia. Prime Minister Yingluck expressed interest in joining the TPP negotiations in 2012, but Thailand has taken no further steps since then toward joining the talks. The United States and Thailand initiated negotiations for an FTA in 2004, but the talks were suspended in 2006 following the military coup and have not been restarted.

According to the U.S. Trade Representative, some of the largest barriers to trade in Thailand are high tariff rates in selected industries, particularly in agriculture; a lack of transparency in customs policy, where Customs Department officials have “significant discretionary authority”; the use of price controls or import license requirements in some industries; and poor protection of intellectual property rights, where Thailand was on the USTR’s Priority Watch List in 2013.15

Thailand has aggressively pursued FTAs with countries other than the United States in its campaign to expand trading opportunities. It has signed trade agreements with Bahrain, China, Peru, Australia, Japan, India, and New Zealand. Further deals are possible with South Korea, Chile, and the European Union (EU). Thailand has championed ASEAN regionalism, seeing the ASEAN Free Trade Area (AFTA, among ASEAN countries only) and the planned ASEAN Economic Community (AEC) as vehicles for investment-driven integration which will benefit Thailand’s outward-oriented growth strategy.16

Economic policy divides in Thailand, however, have grown in recent years, along with the nation’s political divisions. As noted above, Thaksin pursued large-scale populist measures as

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Prime Minister, including subsidizing low-cost health care and transferring substantial revenues from the central government to states and townships. Such populism continued under Yingluck, whose government announced a rice-subsidy plan in 2012 that would buy rice from Thai farmers at prices around 50% above market rates and stockpile it before selling it on the open market. Many observers criticized the plan as fiscally unsustainable. Thailand’s public debt rose from 41% of GDP in 2011 to 46% in early 2014, and many observers argue that the 2013 economic slowdown was at least partially caused by the fiscal burden of subsidizing rice farmers. Amidst the political turmoil, Yingluck opponents filed an impeachment charge against her for the policy—that motion was still pending when she was ousted by the Constitutional Court.

Thailand in Asia

Thailand is important to the region because of its large economy, its working relationships with numerous neighbors, including Burma and China, and, until the coups, its relatively long-standing democratic rule. Its years of domestic political paralysis raise concerns among its neighbors that Thailand appears increasingly unable to take a leadership role in regional initiatives. That, many argue, has implications for issues such as ASEAN’s diplomacy with China over maritime disputes in the South China Sea, regional efforts to combat human trafficking, and regional economic integration under a planned ASEAN Economic Community (AEC).

Southeast Asia is considered by many Asian experts to be a key arena of competition for influence between the United States and China. The loss of a democratic government in Thailand, as well as any resulting friction with the United States, could be considered as a possible opening for closer Sino-Thai relations. It also raises challenges for the Obama Administration’s strategic rebalance to Asia, particularly its focus on strengthening treaty alliances, and committing focus to Southeast Asia and multilateral institutions.

Thailand’s Strong Ties with China

Sino-Thailand ties, historically far closer than Beijing’s relations with most other Southeast Asian states, have strengthened considerably over the past decade. Bilateral trade has boomed under the new China-ASEAN Free trade Agreement, which entered into force in 2010. In recent years, Thailand has also continued to court China, including inking agreements on technology, environmental protection, and strategic cooperation.

Military-to-military ties increased through both exchanges and arms sales: China exports major weapons and military equipment to Thailand, a practice that originated in the 1980s when both countries supported Cambodian resistance groups, including the Khmer Rouge, against the Vietnamese-installed government in Phnom Penh. Many analysts saw the suspension of several U.S. military programs following the coup as an opportunity for China to expand its influence in the Thai defense establishment. China participated as an observer for the first time in the May 2008 Cobra Gold exercises. Security cooperation has also been stirred by an October 2011 incident in which 13 Chinese soldiers guarding PRC cargo boats were killed in a raid by armed members of a Burmese minority group in a portion of the Mekong River controlled by Thailand.

In December 2011, China began limited joint patrols with Thailand, Laos, and Burma along the Mekong, which is increasingly used for trans-border trade.\(^{18}\)

Trade and investment between Thailand and China have grown as well. Thai companies, many run by ethnic-Chinese families, were among the largest early investors in China following its economic opening in 1979. Thailand has been a strong backer of trade agreements with China. In 2010, the year the China-ASEAN Free Trade Agreement went into effect, China replaced the United States as Thailand’s largest trading partner that year. Thai-China trade grew 36% between 2010 and 2013 compared to 16% growth in Thai-U.S. trade, and in 2013, overall Thai-China trade was 73% larger than Thai-U.S. trade.\(^{19}\)

Thailand’s strong relationship with China is based on a history far less antagonistic than Beijing’s past with many other ASEAN countries. After the U.S. withdrawal from Vietnam, Bangkok pursued a strategic alignment with Beijing in order to contain Vietnamese influence in neighboring Cambodia. Bangkok restored diplomatic ties with Beijing in 1975, long before other Southeast Asian nations. The sizeable ethnic Chinese population in Thailand assimilated relatively easily and became a strong presence in the business world, and in the political arena as well.

Thailand also has no territorial disputes with China in the South China Sea, unlike Vietnam, the Philippines, Malaysia, and Brunei. In 2013 and 2014, it has served as ASEAN’s coordinator of discussions with China over a potential Code of Conduct for parties in the South China Sea, which brought the restart of these negotiations after several years of stasis, although the talks have failed to make substantial progress in the wake of rising tensions between China and other claimants.

**Thailand-Burma Ties**

Thailand has long had a deeply uneasy relationship with Burma’s government, both during the period in which Burma was led by a military regime and in the current reform period. Much of the 1,800 kilometer border that separates the two nations is held on the Burmese side by ethnic-minority militias that oppose the central government. The flow of narcotics, migrants, and sometimes militants across the border are some of Thailand’s most pressing foreign policy and security problems.

Until the Obama Administration began pursuing an opening with Burma, Bangkok’s approach toward Burma had been seen as conflicting with U.S. policy for many years. While the United States pursued strict economic and diplomatic sanctions against the regime, Thailand led ASEAN’s “constructive engagement” initiative, which favors integration and incentives to coax Burma into reform. Thailand energy company PTT made substantial investments in Burma’s natural gas sector, making Thailand one of the largest investors in Burma. From Thailand’s perspective, engagement served to minimize the danger of a large-scale military struggle and to expand opportunities for Thai business in Burma. Thai-Burma trade totaled $7.4 billion in 2013, according to the Bank of Thailand.\(^{20}\)


During years when the Burmese regime was largely isolated from the international community, this gave Thailand some greater degree of access to the regime. In 2008, for instance, as international groups struggled for access to Burma to provide humanitarian relief following Cyclone Nargis, Burma granted Thai officials and aid workers entry. In the wake of recent reforms in Burma, Thailand, like much of the region, is assessing whether Burmese reforms are real and sustainable, and seeking to build relationships in the country and encourage the continuation of political reform. In 2013, Thailand led moves to invite two Burmese Army officers to the multilateral Cobra Gold exercises, and some observers argue that Thailand could take a leadership role in bringing the Burmese military into other regional security initiatives.

Some congressional leaders have criticized Bangkok for its treatment of Burmese refugees, migrant workers, and political dissidents living in Thailand. Backed by human rights groups’ reports, some U.S. lawmakers have leveled charges of arrests and intimidation of Burmese political activists, as well as the repatriation of Burmese who seek political asylum. In the past, Congress has passed legislation that provides money to refugees who fled Burma, particularly those in Thailand.

ASEAN Relations

Thailand’s “local” foreign policy with fellow Southeast Asian nations who make up ASEAN (Indonesia, Malaysia, the Philippines, Singapore, Brunei Darussalam, Vietnam, Laos, Burma, and Cambodia) consists of a web of complicated relations. As one of the largest and most economically developed of the ASEAN countries, Thailand has much to gain for promoting ASEAN’s significance in global affairs. With its favorable geographic location and broad-based economy, Thailand has traditionally been considered among the most likely countries to play a major leadership role in Southeast Asia and has been an aggressive advocate of increased economic integration in the region.

Bangkok has developed strong relations with its mainland Southeast Asian neighbors through infrastructure assistance and other aid. In turn, Vietnam, Laos, and Cambodia provide raw materials, inexpensive manufacturing, and expanding markets for Thailand. Despite cooperative elements, Bangkok’s relations with its neighbors are often characterized by tension and diplomatic spats. Intermittent tension with Cambodia re-ignited in 2008 over competing territorial claims of Preah Vihear, a temple situated along the Thai-Cambodian border and, in February 2011, several consecutive days of shelling left at least 10 people dead and prompted calls from Cambodia for the United Nations to intervene. On November 11, 2013, the International Court of Justice ruled that the temple and the area immediately surrounding it were Cambodia’s territory. Though Thai and Cambodian troops remain in the area, the ruling has been greeted peacefully.

Relations with Malaysia have been complicated by the insurgency in Thailand’s majority-Muslim southern provinces, which border Malaysia (see next section). Many Thai Muslims are ethnically Malay and speak Yawi, a Malay dialect, and at times the Malaysian public has grown angry at the perceived violence against Muslims in Thailand. Thailand and Malaysia have cooperated periodically on efforts to seek talks with separatist groups in the South. However, many separatist


22 H.R. 4818, Foreign Operations Appropriations, Section II, Bilateral Assistance.
leaders reside in northern Malaysia, making the issue a point of concern as the violence continues.

**Violence in the Southern Provinces**

Thailand has endured a persistent separatist insurgency in its majority-Muslim southern provinces, which include the provinces of Yala, Narathiwat, Pattani, and—to a lesser extent—Songkhla, while dealing with political instability in its capital. Since January 2004, sectarian violence between insurgents and security forces in Thailand’s majority-Muslim provinces has left around 6,000 people dead and over 11,000 wounded, according to press reports. The groups that have led this surge in violence are generally poorly understood, and their motives are difficult to characterize. Many believe they are mostly focused on local autonomy, but even the Thai government has a poor understanding of the diverse groups active in the south. Successive Thai governments have taken somewhat different approaches to curbing the violence in the south, but none appear to have found a way to resolve the ongoing insurgency.

Most regional observers stress that there is has been no convincing evidence of serious Jemaah Islamiyah (JI, a regional Al Qaeda affiliate) involvement in the attacks in the southern provinces, and that the overall long-term goal of the movement in the south remains the creation of an independent state with Islamic governance. Many experts characterize the movement as a confluence of different groups: local separatists, Islamic radicals, organized crime, and corrupt police forces. Some of the older insurgent organizations earlier were linked to JI, have reportedly received financial support from foreign Islamic groups, and have leaders who have trained in camps in Libya and Afghanistan. The insurgency has at times heightened tensions with Malaysia, as many of the leaders are thought to cross the border fairly easily. Despite these links, foreign elements apparently have not engaged significantly in the violence.

**Background to the Current Conflict**

The southern region has a history of separatist violence, though the major movements were thought to have died out in the early 1990s. Thai Muslims have long expressed grievances for being marginalized and discriminated against, and the area has lagged behind the rest of Thailand in economic development. The dead include suspected insurgents killed by security forces, as well as victims of the insurgents, including police and military forces. The overwhelming majority of casualties, however, are civilian: both Buddhist Thais, particularly monks and teachers, and local Muslims.

After a series of apparently coordinated attacks by the insurgents in early 2004, the central government declared martial law in the region. Moreover, a pattern of insurgent attacks—targeted shootings or small bombs that claim a few victims at a time and counterattacks by the security forces—has developed. The 11-year insurgency has become the deadliest conflict in the Asia-Pacific region: security forces sometimes engage in extra-judicial killings, and the insurgents employ improvised explosive devices (IEDs), drive-by shootings, arson attacks, and, occasionally, beheadings.23

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The central government, regardless of which party holds power, has been unable to devote sustained attention to the south, and the military junta is considered unlikely to prioritize quelling the violence. The region remains under martial law, which allows security forces to arrest suspects without warrants and detain them for up to 30 days. Since June 2007, a more concentrated counter-insurgency campaign known as “Operation Southern Protection” led to far more arrests, but many analysts see the mass arrests as fueling local resentment. Observers note an increase in more lethal and bold attacks. Human rights groups have continued to criticize the military for its mistreatment of Muslim suspects.

Leadership of Insurgency Unclear

Identifying the groups directing the insurgency has been challenging, but most analysis suggests that there is no one organization with authority over the others. The government’s inability to establish an authority with whom to negotiate has limited its ability to resolve the conflict peacefully. In February 2013, Yingluck’s government made an effort in this regard, announcing that it would initiate peace talks with the Barisan Revolusi National (BRN), a group whose leaders largely reside outside Thailand. BRN reportedly suspended the talks in August 2013. Had the effort been successful, it is unclear how it would have influenced the actions of groups on the ground.24

Human Rights and Democracy Concerns

International groups, some Members of Congress, and U.S. officials have criticized Thailand’s record on human rights. Alleged abuses have ranged from extra-judicial killings and curtailment of the press and non-governmental groups under Thaksin, direct military intervention in the political system in the 2006 and 2014 coups, curtailment of the freedom of expression under strict lese-majeste laws under subsequent governments, the bloody suppression of demonstrations in 2010, and a poor record on combating human trafficking as well as human rights violations in the southern provinces throughout various administrations.

Throughout the turmoil, the state of Thailand’s democracy has become a concern for many observers. Many believed that Thailand’s democratic processes had been firmly entrenched through a 1997 constitution that sought to strengthen the stability of elected governments and protect greater levels of human rights. However, the 2006 coup, and then a 2007 constitution that many considered to be a move away from the ideals of the 1997 document, brought questions about whether established power centers had truly accepted the democratic system. Those questions have persisted, and the imposition of martial law by the military in 2014 has only deepened those concerns.

Trafficking in Persons (TIP)

Thailand is a source, destination, and transit country for human trafficking victims, according to the State Department. Thailand is surrounded by considerably poorer countries that drive the inflow of trafficking victims, refugees, and economic migrants. Within Thailand, foreign

migrants, particularly from neighboring countries such as Burma, members of ethnic minorities, and stateless persons are at greatest risk of being trafficked for commercial sexual exploitation and for forced labor in seafood-related industries, garment factories, and domestic work. Most victims identified by Thai officials are found in sex trafficking, including children, who are exploited for sex tourism. Children are also reportedly recruited and used by separatist groups to carry out attacks in southern Thailand.

Thailand has been on the Tier 2 Watch List for four years and risks automatic downgrade to Tier 3 in the 2014 TIP Report. The State Department’s 2013 TIP Report described the government as not fully in compliance with the minimum standards for the elimination of trafficking. Moreover, the State Department concluded that Thailand has “not shown sufficient evidence” in the past year of efforts to bring itself into compliance. The Thai government has sought to avoid downgrade to the Tier 3 list, submitting a 78-page report on its human trafficking record to the State Department in March 2014.25 The report documented substantial declines in the numbers of trafficked persons in 2013, as well as rising budgets for government anti-trafficking efforts. Despite the reported increases in enforcement, some NGOs said Thailand’s report considerably understated trafficking of non-Thai citizens, who have traditionally made up a large proportion of Thailand’s trafficking victims.26

In 2013 and 2014, media reports alleged a growing problem with Thai government and military involvement in the trafficking of members of Burma’s Muslim Rohingya minority, who have fled persecution in Burma. A report from the Reuters news service described direct military involvement in sending tens of thousands of Rohingya refugees into trafficking networks, and won a 2013 Pulitzer Prize for international reporting.27 Thailand argues that many cross-border issues, including the plight of Rohingya in Thailand, involve human smuggling rather than human trafficking. Although there is a distinction (smuggling involves voluntary illegal cross-border movements), undocumented migrants are often vulnerable to trafficking-type exploitation by smugglers. Some observers argue that Thailand has avoided downgrade to the Tier 3 list at least partly because of U.S. reluctance to anger a treaty ally. Others point to the difficulty of gathering reliable data on trafficking in Thailand, given dramatic regional differences in trafficking patterns, as an argument for caution.28

Refugees in Thailand

Thailand has been a magnet for economic and political refugees for many years, particularly from the neighboring countries of Laos, Cambodia, and, most prominently, Burma. Displaced populations of ethnic minorities from Southeast Asia have sought refuge across Thailand’s long borders, attracted by relatively loose immigration controls and often lenient treatment by Thai
Thailand’s reputation for relative tolerance for refugees, as well as crackdowns in other recipient countries, has attracted an increasing number of North Korean asylum-seekers. A strong network of international humanitarian organizations exists in Thailand to provide assistance to these populations. The United Nations High Commissioner for Refugees (UNHCR) estimates that around half a million “stateless” people live in Thailand, from over 30 different nationalities.\textsuperscript{29}

UNHCR estimates that about 120,000 Burmese refugees live in nine camps along the border with Myanmar, about 40,000 of whom are not registered by the Thai government. The United States recently concluded a program initiated in 2005 to resettle more than 73,000 Burmese refugees in the United States.\textsuperscript{30} Although Thailand has been generally cooperative in helping Burmese refugees, successive Thai governments have expressed frustration with the continuing presence of refugees and periodically clamped down on the incoming asylum seekers. Thailand’s position is that it does not want to become an indefinite host, nor does it want to absorb those Burmese who do not qualify as refugees. Moreover, the government argues that the camps were intended for temporary use and are not considered suitable for permanent habitation.


Figure 1. Map of Thailand

Source: Map Resources. Adapted by CRS.
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