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Khaki Capital and Coups in Thailand and Myanmar

PAUL CHAMBERS

On May 22, 2014, and February 1, 2021, coups destroyed democracy in Thailand and Myanmar, respectively. In each country the coup was followed by heavy-handed repression of protesters. These events bookended a global trend toward authoritarianism. The Thai coup was followed by five years of military rule and a 2019 election that entrenched an arch-royalist, military-dominated façade democracy. Myanmar’s coup had a bloody aftermath that left at least 750 dead by April.

Military clout has persisted for decades in the two countries. The Royal Thai Armed Forces and the Tatmadaw (Myanmar Armed Forces) have long been leading political and economic actors—the former since the overthrow of Thailand’s absolute monarchy in 1932, and the latter since the nation then known as Burma gained independence from Britain in 1948.

The Tatmadaw derives its political legitimacy from being the institution that guided Burma to independence and forcibly kept it united. Its officers believe this gives them indisputable rights over Myanmar—and its economy.

In 1980, weakened by intense factionalism, the Thai military became the junior member in a power partnership with the monarchy. This asymmetrical arrangement has endured to the present day. The military has garnered its legitimacy from serving as the protector of national security, spearhead of development, and guardian of the monarchy.

While the Thai military has carried out fourteen overt coups, the Tatmadaw has fomented three.

Thailand has lived under direct military rule off and on for 32 years, whereas Myanmar has endured it for 49. Each country is led by a khaki-clad aristocracy, or “khakistocracy.” The military is either dominant or codominant and regularly intervenes in politics.

Both the Thai military and the Tatmadaw have engaged in forms of predatory capitalism, in which wealth is amassed through plunder, extortion, or other forms of exploitation. Their approach is similar to those of mafias that demand payments to provide merchants with “protection” from damage the racketeers themselves might otherwise inflict. The efficacy of such protection has often depended on the legitimacy of the managers of violence and their level of control over states that often have varying degrees of cohesion.

In khaki capitalism, which can be either formal and legal or informal and opaque, the military exploits its state-legitimized monopoly of violence to establish a parasitic or predatory mode of production. The military may influence state budgets; extract, transfer, and parcel out financial resources; and create career opportunities that can be directly or indirectly distributed to military personnel. Khaki capitalism is common in countries where elected governments are unable to effectively control their militaries, such as Egypt, Pakistan, Nigeria, and Indonesia.

The militaries in both Thailand and Myanmar incrementally boosted their khaki capitalist holdings, but by 2021 they had diverged in some respects. The Thai military rationalizes its extraction of enormous rents as the price for protecting the kingdom; the Tatmadaw simply takes what it wants. The former profits from being a predatory monarchical servant, whereas the latter forcibly collects tribute as a “royalesque,” parasitic elite.

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These interests, and the impulse to protect them, have shaped their handling of internal armed conflicts, their dealings with (and coups against) elected governments, and their relations with monarchy (in the Thai case), as well as their harsh responses to progressive democratic movements in civil society. The two militaries' economic interests have also affected Myanmar–Thai relations and their entanglements with outside powers.

TAKING CHARGE IN THAILAND

Before 1932, a form of patrimonial, monarch-centered capitalism existed in Thailand, then called Siam. Land, budgets, and leading corporations were under the king's thumb. When the military overthrew the absolute monarchy, becoming the preeminent political actor, it assumed control of many of these holdings, including most royal lands. It also helped sustain private (mostly ethnic Chinese) businesses in return for a share of profits or board seats.

By 1938, the defense budget had increased by a third. The dominance of the military during World War II and the beginning of the Cold War made it easy to rationalize the emergence of khaki capital. The number of state enterprises expanded to over 100, while two military-dominated holding companies—Taharn Cooperation Company and the National Economic Development Corporation—became the foundation for multiple private firms.

After US military assistance began flowing to the Thai armed forces in 1950, bases were expanded or built throughout the country. This led to military land grabs in the name of national security. Evictions were facilitated by the fact that borderland villagers often lacked proper title to their land.

Post-1965 anticommunist counterinsurgency operations in Thailand's north, northeast, and south became another convenient rationale for the military to indirectly obtain more land and build more infrastructure. The army acquired extensive holdings of mountainous and forested land along the frontier.

In 1958, junta leader General Sarit Thanarat returned properties to the monarchy, and the military became the king's partner in administering over 4,000 royally initiated economic development projects. From 1958 until 1986, those

projects were at the forefront of army-led “development for security” initiatives. This period also saw continuing growth in the defense budget and a persistent communist insurgency, especially from 1965 to 1971, as well as Cold War conflicts in neighboring Cambodia and Laos.

Until 1992, the military had substantial budgetary autonomy, and parliament rarely rejected defense appropriations. That changed somewhat after that year's Black May massacre. Thai soldiers fired directly into a crowd of peaceful, pro-democracy demonstrators, killing many. Perceptions of the military soured among the public, the media, and parliament. This led to intensified scrutiny of military appropriations and a decline in funding. The trend persisted, owing partly to the 1997 Asian financial crisis as well as to the growing turn toward “civilianization” in Thai politics, reflected in the “people's constitution” adopted in 1997.

In the following decade, Prime Minister Thaksin Shinawatra controlled the defense budget by placing loyalists in key positions. During his years in office (2001–6), the share of GDP allocated to

the armed forces declined by 0.4 percent. The defense budget grew slightly again as Thailand dealt with a Malay–Muslim insurgency beginning in 2004. The 2006 military coup set the stage for a resumption of

more robust growth in defense spending. Although Thailand returned to a period of elected rule in 2008, civilian governments generally sought to appease the military, almost always deferring to the generals' budget requests.

Under the 2014–19 junta, the defense budget grew almost every year. It continued to do so even after Thailand transitioned to a limited democracy in 2019. In 2017, a national strategy enacted by the junta mandated that all future governments commit to growth in annual military appropriations, under threat of being forced from office for violating the law.

VARIED VENTURES

Thailand's May 22, 2014, coup ousted an elected, pro-Thaksin government, following months of antigovernment demonstrations that had received surreptitious support from military leaders and monarchical elements. After the coup, the junta established 10 special economic zones on public land in border areas. Villagers living in

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these areas were often evicted with little compensation. To attract investors, requirements for environmental impact assessments were reduced.

The military is now Thailand's leading landowner, and land is the military's principal income-earner. It manages a diverse array of business ventures on its properties, including 36 golf courses, 3 sports stadiums, and 2 horse racing tracks, as well as hotels, restaurants, event venues, rice mills, housing projects for active-duty soldiers, convenience stores, and gas stations. Altogether, these ventures pull in annual income of more than \$30 million.

The junta's Eastern Economic Corridor project, for example, sits astride territory overseen by an organization called the Five Provinces Bordering Forest Preservation Foundation. The foundation's president is Deputy Prime Minister Prawit Wongsuwan, a retired general who previously served as army commander and defense minister. Among the 25 members of its executive committee, 19 are military officials.

In February 2020, after public demands for reform, the Thai army signed a memorandum of understanding to transfer management of state lands and army-controlled businesses to the Finance Ministry, so that most of the revenue would flow into state coffers. The navy and air force made similar promises. But so far the military has done little to hand over any land or businesses to elected civilian authorities.

The military's corporate ownership and shareholdings have been reduced, however, due to glaringly inefficient management within military-led state enterprises. As a result of the restructuring, the number of state enterprises overseen by the army, navy, and air force fell from 100 to 56. The most prominent military-controlled enterprises today are the Bangkok Dock Company, Royal Thai Army Radio and Television Station (Channel 5), and Royal Thai Army Entertainment.

Until reforms adopted in 1992 took effect, it was common for senior Thai military officers to earn income by sitting on the boards of both private and public corporations. After further reforms in response to the 1997 financial crisis, only one or two active-duty military officials could sit on any state enterprise board. But the diminution of military influence was less than met the eye. In many cases, board members were now civilians nominated by the military.

Khaki capital in Thailand also comes in informal varieties, such as the drug trade. Before narcotics

were outlawed in 1959, leading generals vied for control over the opium and heroin market. Allegations that senior officers were profiting from the heroin trade in the Golden Triangle (where northern Thailand borders Laos and Myanmar) persisted throughout the 1960s and 1970s. One rumor had it that the junta leader's son, Colonel Narong Kittikachorn, was involved. Others said General (and later Prime Minister) Kriangsak Chomanand profited from a connection with heroin kingpin Khun Sa.

In the 1990s, Thai military officials allegedly worked with guerrilla units of Cambodia's former Khmer Rouge regime to smuggle gems from Cambodia into Thailand. In the post-2004 counterinsurgency in Thailand's southernmost provinces, security personnel allegedly have engaged in smuggling fuel and weapons. There have also been claims that military officials are pocketing kickbacks from weapons purchases.

The latest attempt by Thailand's military to find new ways to amass khaki capital has been its creation of the Palang Pracharat political party. Its controversial electoral victory in 2019—which elevated the former junta leader, General Prayuth Chan-o-cha, to prime minister—has allowed the military to influence Thailand's economy even more thoroughly.

RISE OF THE TATMADAW

The Tatmadaw was a weak combination of anti-colonial independence fighters and former indigenous soldiers in British colonial forces at the time of Burma's independence in 1948, but it rapidly became the dominant institution in a fragile state. Throughout the 1950s, the military annually consumed 30 to 40 percent of government expenditures. This budget expansion coincided with deepening economic malaise.

By 1958, the Tatmadaw, under General Ne Win, was fighting multiple wars against separatist ethnic armies. From 1958 to 1960, Ne Win acted as caretaker prime minister. During this interregnum, the Tatmadaw entered into commercial business activities by establishing the Defense Services Institute (DSI), a holding company originally intended to provide services for soldiers. It mushroomed to dominate firms throughout the economy—in construction, textiles, tourism, banking, transportation, manufacturing, trading, and retailing. Following the return of civilian rule in 1961, an even larger military holding company, Burma Economic Development Corporation (BEDC), was formed.

In 1962, Ne Win led a coup that institutionalized the Tatmadaw's complete control over the country for the next fifty years. The state immediately nationalized private enterprises and other entities, including all firms controlled by BEDC and DSI. Ne Win's 1962–88 dictatorship was based on an ideology known as the "Burmese Path to Socialism." Officers and soldiers were forbidden from engaging in their own commercial businesses. Instead, much of the economy was put under the control of bureaucrats selected by Ne Win, guaranteeing that Burma would become the dictator's personal fiefdom.

In this pyramid of economic power, Ne Win was patron and Tatmadaw military officers were clients. But Ne Win's post-1974 Nationalist Program Party regime did little to help the economy, which plummeted to such depths that many soldiers had to engage in business activities to support themselves. Meanwhile, the costs of counterinsurgency war-waging forced the regime to increase its defense expenditures from \$91 million in 1962 to \$255 million in 1988 (in current US dollars).

Ne Win's fall from power in July 1988 briefly opened a window for civilian rule, but a new Tatmadaw faction seized power in a brutal September coup. The failure of Ne Win's socialist model led the new regime to adopt a form of military-led bureaucratic capitalism. The ensuing Western sanctions made the move expedient.

During these hard times, some officials continued their involvement in narcotics smuggling, though this traffic mostly ended by the early 1990s. The State Law and Order Restoration Council (SLORC) regime, which assumed control after 1988—and was renamed as the State Peace and Development Council (SPDC) in 1997—revived the pre-1962 policy of promoting nonstate military holding companies and commercial firms.

Today, two such holding companies together monopolize Myanmar's economy—Myanmar Economic Holdings Ltd. (MEHL) and Myanmar Economic Corporation (MEC). In 2019, the United Nations Human Rights Council identified 106 firms connected to them (34 other firms are directly owned by the Tatmadaw). They provide most of the off-budget revenue for the Ministry of Defense. Parliamentary oversight of MEHL and MEC is forbidden.

MEHL, formed in 1990, controls multiple firms in sectors ranging from banking to beverages. It is officially 40-percent owned by the Directorate of Defense Procurement, with the rest held by Tatmadaw officers. Most profits go to the "Patron Group" of senior officers. The 11-member board of directors includes only active-duty or retired military officers.

Established in 1997, MEC is wholly owned by the Ministry of Defense and managed by the Quartermaster General's Office. It also has a private subsidiary, MEC Ltd. Though the corporate structure is murky, the MEC Ltd. board includes seven top Tatmadaw officers. MEC controls even more firms than MEHL, operating in sectors throughout the economy.

State enterprises generate half of all government revenue. The most powerful are Myanmar Oil and Gas Enterprise, perhaps the nation's principal income-earner, as well as Myanmar Mining Enterprises, Myanmar Gems Enterprise, and Myanmar Timber Enterprise. They provide alternative sources of revenue for the Tatmadaw.

Defense appropriations skyrocketed after 1988. According to the Stockholm International Peace Research Institute, they rose from \$255 million in 1988 to \$33 billion in 2005 (in current US dollars). As a share of the total

national budget, defense spending stood at 6.3 percent in 1987–88, Ne Win's last year in office. From 1988 until 2011, it averaged 10.3 percent, according to data from Myanmar's Central Statistical Organization. In 2010–11, it jumped to 17.3 percent as the Tatmadaw instituted a pay raise during a transition to semi-democracy.

Even under the new civilian-led government, defense spending stayed high, accounting for 15 percent of the national budget from 2011 to 2014. Following the National League for Democracy's landslide electoral victory in 2015, the government began to cut the defense budget. The Tatmadaw's irritation at these cuts factored into the 2021 coup.

LAND AND JADE

Although there are no public records delineating the full extent of the Tatmadaw's land holdings, it is clear that various units have engaged in land grabs. According to the scholar Maung Aung Myoe, the Tatmadaw extended its control across

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millions of acres of land under the 1988–2011 SLORC/SPDC regime.

In 1997, continuing Western sanctions and the regional financial crisis forced the state to take desperate measures to appease military personnel. It issued a “live off the land” order, which allowed security forces to seize resources from the local population. The directive merely formalized what was already happening.

Counterinsurgency became the pretext for Tatmadaw units to grab more real estate. In some cases, Tatmadaw units have seized land and forced villagers to pay rent for using it. In other instances, retired personnel (often members of the Myanmar War Veterans Association) have become Tatmadaw colonists in “retirement villages” on properties taken in military land grabs.

Jade has been another growing source of khaki capital for the Tatmadaw. According to Global Witness, the industry generated approximately \$31 billion in 2014, primarily due to demand from China. Centered in northern Kachin state, the jade trade has been dominated by the families of a former dictator, General Than Shwe, and his military cronies. In its quest for jade, the Tatmadaw has expropriated villagers’ land. The Kachin Independence Organization, an ethnic armed group dependent on jade for its own income, has increasingly warred with the Tatmadaw for control of this resource.

However, khaki capital also is generated through agreements between the Tatmadaw and the leaders of former ethnic insurgency groups. Since 2009, the Tatmadaw has sought to incorporate many ethnic armies into its Border Guard Forces (BGFs). These units tend to enjoy quasi-autonomy in terms of economic privileges. Such “cease-fire capitalism,” as the scholar Kevin Woods has described it, co-opts former warlords by permitting them to profit from land grabs that extend the Tatmadaw’s territorial control.

Whereas Tatmadaw soldiers normally rotate to new assignments after a period, BGF soldiers remain in place, which allows them to build up networks of border commerce. Some BGF forces have illegally imported Thai beer or run casinos.

Pro-government ethnic militias also enjoy Tatmadaw support. Some receive salaries; others are permitted to collect transit fees. Some militias are involved in commercial ventures including real estate, hotels, bus lines, gas stations, and logging. Militias may also engage in narcotics trafficking.

Ultimately, the Tatmadaw regards Myanmar as a parallel society. It holds itself separate as the lord

of the civilian population. This mindset justifies the military’s belief that it is entitled to take whatever it wants and use unrestrained force to protect and expand its economic holdings.

COUP ECONOMICS

Almost all of the many coups in Thailand and Myanmar have had economic motives. In Thailand, the 1932 “breakthrough coup” substituted a new military-led economic class for absolute monarchy. Other coups partly sought to guard the economic interests of one military faction against the monarchy, or else resulted from squabbles among military factions over economic spoils. The two most recent coups in Thailand (2006 and 2014) vetoed attempts by civilian governments to assert their authority against political and economic domination by the monarchy and the military.

In Myanmar, the 1962 coup freed the Tatmadaw from meddling by the civilian government in its budget and business holdings, while also protecting the military’s bureaucratic interests (such as control of promotions and influence over civil servants). The 1988 coup ensured that the Tatmadaw’s economic clout would remain untouched by resurgent pro-democratic forces. Although Myanmar’s post-2011 pseudo-democracy seemed to permit elected civilian rule, appearances were deceiving.

By law, the military enjoyed almost complete autonomy from elected civilian control: 25 percent of parliamentary seats were reserved for military officials (enough to block constitutional amendments), and the National Defense and Security Council was controlled by the Tatmadaw rather than the president. Nevertheless, the popular post-2015 elected government led by Aung San Suu Kyi continued trying to boost its formal powers vis-à-vis the military.

The 2021 coup restored the military to preeminence. The putsch was a preemptive strike by the Tatmadaw after its setback in the November 2020 elections. Suu Kyi’s National League for Democracy won by an even bigger landslide than it had in 2015, while the Tatmadaw’s Union Solidarity and Development Party lost even more seats. The military claimed fraud to nullify the result and prevent a new challenge to its economic power.

BORDER TIES

Given their similarly ruthless pursuit of economic gain, it is not surprising that the Thai and Myanmar militaries have engaged in cross-border collaboration on various khaki capitalist

enterprises. They maintain relations at the individual level (including among intermediate and senior officers) in areas such as illegal border trading. By some accounts, each side takes cuts from the import of Thai goods into Myanmar and the export of Chinese goods from Myanmar.

There are also allegations that cronies of Thai military officials have invested in casinos just over the border in Myanmar that are administered by the Tatmadaw or militias. Thai military and Interior Ministry officials regularly cross into Myanmar to visit casinos.

Security officials from each country have profited from facilitating the illegal movement of people (including forced labor) across closed stretches of the border. Both Thai and Tatmadaw officers reportedly have been involved in trafficking Rohingya refugees from Myanmar across Thailand to third countries. The Tatmadaw's systematic ethnic cleansing of Rohingya had some economic motivations, such as seizing land and natural resources where Rohingya villages once stood.

FOREIGN ENTANGLEMENTS

In recent years, external powers have become economically enmeshed with the Thai military and the Tatmadaw. China, Japan, and the United States are the leading investors in Thailand. Since the 2014 coup, the Thai military has increasingly balanced with Beijing against Washington, traditionally its leading foreign partner.

In 2020, the Defense Ministry invited foreign investment in Thailand's first military-industrial estate, a project that would enable the country to build weapons for export. China and the United States have both shown interest. In the Thai Eastern Economic Corridor, which allows foreign firms to lease parcels of land for up to 99 years, Chinese investment is rife. The Thai Canal Association, dominated by retired senior officers, has backed plans to build a mostly China-funded waterway across the Isthmus of Kra in southern Thailand.

China, Singapore, Japan, and Thailand have been the principal sources of investment in Myanmar. Some foreign firms, such as Benetton, entered Myanmar only in the post-2011 period and took care not to deal with military-owned companies. (Benetton has paused its operations in Myanmar since the 2021 coup.) But most major foreign companies (such as Total and Chevron) have collaborated with the Tatmadaw

since even before the 2011 pseudo-democratic transition. The national unity government in opposition has called on them to withdraw from these joint ventures.

Myanmar is a source of timber, minerals, hydroelectricity, and garments for China. The proposed China-Myanmar Economic Corridor, part of China's Belt and Road Initiative of global infrastructure projects, would connect southern China with the Indian Ocean harbor of Kyaukpyu, which Chinese firms are set to transform into a deep-sea port. But there has been rising tension between Myanmar (mostly Tatmadaw officials) and China, owing partly to President Thein Sein's 2011 suspension of the Beijing-sponsored Myitsone Dam project, and Myanmar has slowed progress on the Economic Corridor.

Western nations have sought to use sanctions to deter coups and human rights violations in Thailand and Myanmar. But they have not always had the desired effect. After Thailand's 2014 coup, sanctions pushed the military regime to lean toward China, and to some extent toward Russia. That prompted the Trump administration to offer more military aid to Bangkok.

Sanctions have proved to be even less effective with Myanmar, which maintained an inward-oriented war economy for decades. Sanctions on Myanmar Oil and Gas Enterprise might put some pressure on the junta. But the Tatmadaw could respond by turning to Russia and China for economic and military aid, as Thailand has done. For sanctions to be effective, they need to be either more nuanced or universally applied.

Unrestrained khaki capitalism is the natural product of militaries that enjoy domestic political dominion and legal impunity. As long as democracy remains nullified in Myanmar or controlled and highly deficient in Thailand, their generals will never face the kind of security-sector reforms—imposed by elected, civilian-led governments—that could bring them under effective oversight and reduce their budgets.

At least for the near future, the dark days of khaki capitalism look set to continue in Thailand and Myanmar. Be that as it may, the 2020–21 Thai protests and the continuing anti-coup protests in Myanmar—both of which have faced deadly force—bear witness to the fact that people in both countries clearly are not content with military despotism, whether direct or indirect. ■