

Political Tensions Put Thai Economy Under Pressure as Tourism Falters

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Thailand's heightened political tensions have sent a shudder through the economy, hitting the share market and the tourism industry. As Ron Corben reports from Bangkok, industry groups have called on Prime Minister Samak Sundaravej to end the state of emergency to avoid further damage to the economy.

The Thai Chamber of Commerce and the Board of Trade say the state of emergency imposed this week sends the wrong message to the international business community.

Prime Minister Samak Sundaravej issued the decree after pro- and anti-governemnt protesters clashed on Tuesday, leaving one person dead and many others injured. He said Friday he is considering lifting the decree soon. Some business leaders have called on Mr. Samak to comply with the protesters' demand that he resign. But Thursday, Mr Samak said he would stay on, "for the sake of democracy".

Chulalongkorn University economist, Sompop Manarangsarn, says the outlook is grim, especially given the global economic downturn, which hurts demand for Thai exports.

"I think it's going to be more serious now because now Thailand is not only facing the internal problem, but also having to face the challenge of the global trend of recession," he said.

The People's Alliance for Democracy began protests earlier this year criticizing the government over steps to alter the constitution. Thousands of PAD protestors are now encamped in the compound of the government's main administration building.

The Stock Exchange of Thailand says \$45 billion in share value has been wiped off the market this year due to the political uncertainty. Foreign investors have dumped more than \$3 billion worth of shares.

The tourism industry is suffering, as several countries have warned their citizens to avoid visits to Thailand because of fears of more violence.

Tourism contributes six percent of gross domestic product, with earnings in 2008 expected at over \$17 billion.

Tourism groups say arrivals at Bangkok international airport are down 30 percent in recent days, costing around \$11 million a day in lost revenue.

John Koldowski, a spokesman for the Pacific Asia Travel Association, says part of the problem is that protests have closed airports and disrupted flights.

"That [the closures] would leave a bitter taste in the mouth of those directly affected," he said. "And that would spread around the globe pretty quickly as connected as we are - so yes that would be a negative perception."

Anusorn Buranakanonda, the managing director of investment firm, BT Asset Management, says experienced investors will see the political uncertainty as a test of Thailand's ability to overcome short-term problems.

"This is not the first time that Thai society has faced some political problems but in the past few years," he said. "Society has managed to overcome the problems - putting the problem behind and moving on - this crisis I hope will be very much the same."

Thailand's economy expanded by 5.7 percent in the first half of the year despite slower world growth.

The central bank says the growing political tensions will cut growth for the second half of the year, but says the damage should be short-term.

Source: VOA NEWS