

## Stability the Real Issue for Thailand

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In normal times, a 23 per cent jump in exports for the first six months of the year would inspire confidence in the economy.

But these are not normal times in Thailand. Despite robust export performance and exports are the main engine of Thailand's economic growth the overall mood among Thai business executives, consumers and foreign investors remains decidedly gloomy. A slightly weakening baht, rising prices for agricultural goods, and problems in the economies of some competitor nations, such as Vietnam, helped Thailand set an export record of US\$87.23 billion for the first half of 2008.

However, rising oil and food prices set inflation surging to 8.9 per cent for the month of June, and resulted in a US\$1.06 billion trade deficit for the half. Thailand is more dependent on imported oil than any other country in Southeast Asia.

But it was more than oil prices that were casting a pall over confidence.

At the heart of Thailand's problems is continuing political instability.

When Thailand's generals stepped aside to allow a democratically-elected Government to take power at the turn of the year, many expected stability to return, and the economy to pick up after a year in the doldrums.

It hasn't worked out that way. The Government, widely seen as a proxy of former Prime Minister Thaksin Shinawatra (who was ousted by the military in a September 2006 coup), has been besieged on all fronts.

The threat of civil strife is real.

Despite pledges from the army chief to keep the military out of politics, rumours of another coup have become a common in political discourse. Trouble started in May when Prime Minister Samak Sundaravej announced plans to amend the Constitution drafted by a military-appointed committee, and approved by voters in 2007.

While even Government opponents agree that there are facets of the charter that should be changed, the Government's amendments were seen as designed solely to save its own skin and that of its patron, Thaksin. An executive of the ruling People Power Party has been found guilty of vote-buying in the last

election, and that could lead the courts to dissolve the party and force collapse of the Government.

The PPP wants to amend the Constitution to prevent that, along with other sections of the charter which, if changed, would invalidate court cases in which Thaksin has been charged with corruption. This has brought thousands of anti-government protesters onto the streets of Bangkok, where they have remained ever since.

One Minister has resigned after being charged with lese majeste by police for allegedly insulting Thailand's revered monarchy.

Another was forced to quit when the Constitutional Court ruled he had failed to fully disclose his assets. A third, the Foreign Minister, had little choice but to step down when the same court ruled he and the entire Cabinet had violated constitutional procedures in endorsing a proposal by neighbouring Cambodia to have UNESCO list a 900-year-old Hindu Buddhist temple on a disputed border as a World Heritage Site belonging to Cambodia. The temple and border issues are complex, but have incited nationalist fervour in both countries.

Troops have been beefed up along the border, raising fears of an armed clash.

Complicating the temple dispute was the fact that the Foreign Minister was formerly Thaksin's lawyer, and Thaksin is negotiating business deals and investments in Cambodia. This created the appearance that the historic temple might have been traded away for Thaksin's business advantage. Even Prime Minister Samak Sundaravej is in hot water.

In coming weeks he faces three legal problems, any of which might force him to resign. He is being investigated and may be charged by the National Counter Corruption Commission over an allegedly graft-laden contract to purchase fire fighting equipment, when he was Governor of Bangkok.

He has also been charged with defamation by a former Bangkok deputy governor, and he is being investigated by the Election Commission for hosting a cooking show while Prime Minister, which would allegedly make him an employee of a private company, something forbidden to those holding elected office.

Meanwhile, the Government has done little to address economic matters and strains facing consumers and households. In July, it finally responded, with a raft of measures that includes a cut in excise taxes on diesel and gasohol, free electricity and water for those using only very small amounts, and free fares for non-air-conditioned buses and third class seats on trains, for six months. While the poor and some middle-class consumers welcomed the measures, few economists endorsed them as viable or sustainable solutions to Thailand's economic difficulties. The Government has countered that these are only stop-gap measures until it can launch construction of a network of rail lines around Bangkok to stir investment and create jobs near

the end of the year.

The question is, with protesters in the streets and investigations and court cases looming, will the Government last that long?

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