



HUMAN DEVELOPMENT FORUM FOUNDATION

HDF Weekly Thailand Review 09/01 – 15/01

Summary

A number of events that will deeply impact the future of Thai politics occurred this week. The 12 trillion baht budget for 2012 was approved, allowing government officials to begin planning for large investments, including water management. Compensation for those impacted by the 2010 riots was announced and the Pheu Thai party remains committed to altering the constitution. Ongoing controversies continue including the lese majeste law, the death of Udon Kraiwatnussorn and the increase of energy prices. Economic conditions continue to waver and the policy rate and lending liquidity is reviewed. Deputy Prime Minister and Commerce Minister Kittirat Na Ranong announces his future investment plans while water-resource management experts warn the government of implementing an inappropriate use of funds. The future of Myanmar in relation to Thailand, both politically and economically, needs to be reconsidered, specifically after the numerous events surrounding the Dawei Special Economic Zone this week. An Australian child trafficking organization is being investigated and analysts continue to warn of the Southern insurgencies impact.

Politics

The 2012 Budget Bill, in the amount of 12 trillion baht, was approved by the House of Representatives with 272 votes in favor and 155 abstentions. The Yingluck Government transferred 1.14 trillion baht of public debt stemming from the financial crisis of 1997 to the Bank of Thailand drawing heavy criticism from the opposition Democrat Party. Democrats argued that the transfer would undermine the country's credibility and create management problems for the central bank. Prime Minister Yingluck Shinawatra defended the decision as a necessity, as the debt would otherwise sharply increase once the government raised investment funds for flood prevention and infrastructure projects. (The Nation)(Bangkok Post) Ms. Yingluck additionally announced that the government will conduct a feasibility study for a possible re-launch of the 30 baht healthcare scheme which was originally introduced in 2001 by her brother Thaksin which was scrapped after the military coup of 2006. In regards to the aforementioned investments, the government announced the approval of a 2.27 trillion baht plan to be spent on infrastructure projects (new inter-city road links, high-speed train networks, urban mass transit systems, as well as marine, air transport and telecommunication development) in the upcoming 5 years. To restore investor confidence after the latest flood crisis, 400 billion baht will furthermore be spent for water management projects. (Bangkok Post)

As a measure in supporting national reconciliation, and as recommended by the Truth for Reconciliation Commission, the Yingluck administration announced that a total of 2 billion baht in compensation will be paid out to victims of the 2010 unrest. Families of those killed will therefore receive 3 million baht for “psychological trauma caused” and 250,000 baht for funeral expenses. The Democrat Party felt the scheme would be inadequate to bring about reconciliation and a PAD spokesperson expressed discontent that only red-shirts would profit from the compensation payouts, despite the announcement by Government Spokeswoman Thitima Chaisang that all groups affected from 2005 onwards would be included. While those affected by the military crackdown and their family members generally welcomed the compensation they stressed that reconciliation would only be possible if the whole truth about the incident would be made public and those responsible be brought to justice. (BBC) (Bangkok Post) (The Nation)

The Pheu Thai Party remains determined to amend Section 291 and create a constitution draft assembly (CDA). In turn, this would make the 1997 constitution a model for future amendments to the current constitution, as recently praised by Jared Diamond from the Stanford University at a public lecture at Chulalongkorn University. Pheu Thai members insisted that public participation in the charter change would be crucial, recommending politician step aside. The CDA will be made up of 100 members, 77 of whom will be elected from Thailand's 77 provinces while the remaining 23 will be selected by the elected 77 members. (Bangkok Post)

Frank La Rue, The United Nations Special Rapporteur on the right to freedom of opinion and expression, who recommended an amendment to the lese majeste law back in October of 2011 stated that he continues to stand by his recommendation. La Rue argues that he would not be intervening as “Human rights is a universal issue for all modern, civilized and democratic countries, and only those which want to move backward to an undemocratic regime will reject them. The beauty of human rights is that it's exactly the same standard for every country - there's no special treatment because human dignity is the same across the world.” Eight prominent figures with royal lineage meanwhile released a letter urging PM Yingluck to amend the lese majeste law and cited His Majesty King Bhumibol's address on Dec 4, 2005 quoting him saying he would not like offenders to go to jail. All political parties have so far stated they would not touch the lese majeste law. (The Nation) (Bangkok Post)

The ongoing saga in arresting the suspected killer of Udon Kraiwatnussorn, Democrat Party MP for Samut Sakhon Khanchit Thapsuwan, remains controversial as Thapsuwan still has not turned over his .40 caliber gun and pick-up truck to police for examination. Provincial Police Region 7 sent a letter to the Royal Thai Police Office to request that the House of Representatives allow the Democrat Party MP to meet police investigators as he has not cooperated with police so far due to his immunity protection. Police Major General Prayon clarified that all evidence points towards an amateur killer as the gun used in this incident was not used by hired gunmen and the amount of shots fired suggest the shooter was agitated at the time. (The Nation)

After pressure from industry groups and road blocks by truck and taxi drivers, as well as a meeting at the Government House called by PM Yingluck, Deputy Prime Minister Kittiratt Na-Ranong announced that the price increase (50 satang per kilogram) of compressed natural gas (CNG) and liquefied petroleum gas (LPG) on January 16th will proceed as planned while all further increases were on hold. Originally, a 50 satang increase every month was planned for 2012 taking the CNG price up to 14.50 baht/kg from the present 8.50 baht/kg, a 70% increase. Mr. Kittirat added that "after a week or two, the government and the transport sector will still have time to meet again to consider whether the price should be increased for a second or third time." (MCOT) (Bangkok Post)

Economics

Economic conditions continue to vary as the baht approached its weakest level in 16 months after international investors cut holdings of national equities. The central bank plans to put less focus on regulating the exchange rate despite predictions that baht volatility will increase. Emphasis has been laid on the fact that exporters and importers have improved at managing exchange-rate risk. Government bonds have remained steady and the University of the Thai Chamber of Commerce measured the consumer confidence index as increasing to 63.1 from 61.0 in November. New strategies to positively impact Thailand's economy include plans to change Thailand's current global ranking of 17th, to one of the world's top 10, largest trading nations by 2020. Thailand's current trade with ASEAN totaled \$75 billion, accounting for 19.8% of the total trade value with the world and new talks are moving ahead with India, Chile and Peru. (Bloomberg) (Bangkok Post)

Banking experts are agreeing that the Bank of Thailand's policy rate will not be decreased again as inflation rates are expected to remain high due to the increased daily wages, leading to a boost in the price of goods. Analysts are also looking at the impact that the demand for loans will have on liquidity. However, Thanyalak Vacharachaisurapol, head of money and banking at KResearch has claimed the BOT can adapt to tighter liquidity, as numerous bonds valued at 800 billion baht are due to be redeemed. With cautious lending to balance liquidity, loan growth is expected to decrease to 9-12% in 2012 from 13-15% in 2011. There have also been inquiries as to how the Financial Institutions Development Fund debt will be redeemed. KResearch has suggested banks pass the cost on to account holders by charging a surcharge of up to 1% from .4%, contributing 70 billion baht to 80 billion baht to the 280 billion baht owed each year. (The Nation)

Despite the banking sectors cautionary measures for Thailand's economic future, Deputy Prime Minister and Commerce Minister Kittirat Na Ranong has re-affirmed Thailand's economy has remained strong and that he is confident the Gross Domestic Product (GDP) could expand more than 7% this year. Kittirat took over for Yingluck on this week's "Yingluck Government Meets the People," to discuss with the Strategic Committee for Water Resources Management (SCWRM), along with the Strategic Committee for Reconstruction and Future Development chairman Virabongsa Ramangkura, to clarify the water management plan and

Thailand's economic prospects in 2012. Kittirat announced that with the approval of the 2012 budget bill, 29 baht billion will be initially spent on the repair and rehabilitation of water sluice gates and dykes that were damaged by the flood. Additionally, more legislation will be drafted to spend 350 billion baht (\$14 billion) on the management of 25 river basins.

Outside commentators, including a group of water-resource management experts, have criticized 350 billion baht as too expensive. Although SCWRM has approved six urgent and two long-term plans - 300 billion baht for systems to manage water in the Chao Phraya River basin and the remaining 50 billion baht for systems in another 17 areas – there have been hesitations about an inefficient use of the state budgets. Sources from SCWRM have claimed that there may ultimately be failure in solving the problem systematically. However, Virabongsa has stated that the government must put considerable funds into the plans to reassure foreign investors that government is doing everything they can to prevent a repeat of the massive damage. Virabongsa noted that he has visited many countries including England and Japan to speak with insurance companies, investors and business leaders to increase confidence in regards to Thailand's rehabilitation plan and future preparations to reduce the impact of flooding. (Asia One) (MCOT)

The Tourism Authority of Thailand (TAT) has announced that it expects 19.6 million tourists to visit Thailand in 2012 generating 766 billion baht in revenue. Thailand continues to grow as viable tourist destination and has proved to be popular among many International countries. However, the private sector has also expressed concern related to the political instability and corruption and the long term damage done by the floods. Kongkrit Hiranyakit, the Tourism Council of Thailand's president for policy and planning has warned the current government against creating more negative factors that could lead to conflict and put tourism at further risk. Economic problems including foreign exchange fluctuations, which affect tourists' purchasing power have been extremely damaging. Potential new markets this year will be China, India, South Korea, Russia and Australia. New markets will be Indonesia, Vietnam, the Philippines, Iraq, Kuwait, the UAE and Eastern Europe. (Bangkok Post) (PR)

Security

Myanmar's security has become one of Thailand's main concerns this week. Earlier in the week, Myanmar's army chief held an uncommon meeting with Thailand's defense minister where the opening of the new border checkpoints close to the planned multi-billion dollar industrial zone in Dawei was discussed. Other concerns include Karen National Union disrupting the Dawei projects. The total project includes a 250 sq km (97 sq mile) Dawei Special Economic Zone -- which will include the \$8 billion deep sea port, an oil refinery, a coal-fired power plant and a petrochemical factory. Following the meeting, The Dawei Development Association urged the Thai government to stay aware of sustainability and human rights concerns during the development of the Dawei mega project, specifically during the development of a deep sea port and special economic zone in Yebyu Township. The main concern stated, delivered in a letter to senior ministers, would be forcing thousands of local inhabitants to relocate and to start a new

life. Other demands included green development, land and property rights for locals, and transparency and accountability in the deep sea port project. The following day, Myanmar's government abruptly halted the construction of the 4,000 megawatt coal-fired power plant at the Dawei Special Industrial Zone as attributed to domestic pleas over its environmental impact. The government has not yet announced whether it will continue with a smaller 400 megawatt plant. The Italian-Thai Development unit funding the plant with billions of dollars of investment in the industrial zone stated it had not been notified by the government and was confident the power plant would still be built, but with potential changes such as using natural gas instead. Joseph Cheng, a political scientist at Hong Kong University, claimed the suspension of the Dawei plant could reflect disunity in a government as reformers want to reconnect with the outside world but "old fashion" government officials may want to maintain tight control over the country. (Bangkok Post) (Reuters)

In line with these events, analysts are commenting that what transpires next in Myanmar will have huge consequences on Thailand in the medium- and longer-term, despite the lack of interest from Thai leaders both in politics and business arena. Thitinan Pongsudhirak, Director of the Institute of Security and International Studies at Chulalongkorn University, claims in the past it appeared Myanmar would not be changing any time soon, "As the constitution that was promulgated in 2008 and the ensuing elections in 2010 were both deemed illegitimate, it seemed like a bogus government was produced by a bogus election under a bogus constitution". Although Myanmar has appeared to have made recent reforms, such as supporting Aung San Suu Kyi return to politics and the dissipating threat of nuclear weapons, a significant amount of transformations still needs to take place before Myanmar can be named a genuine democracy. The Dawei Development Project will be severely impacting Thai energy and development and Thailand relies on migrant laborers, especially from Karen and Shan states, although there is no long-term human security plan to reduce social problems from a lack of education and healthcare. Thitinan maintains that Thai's need to either support Myanmar with its own reforms or influence Thai leaders to secure its own country's energy and development needs with less dependence on neighbors. (Bangkok Post) (Reuters) (Asian Times)

The Department of Special Investigations in Thailand is investigating the claim that Australian child trafficking organization The Grey Man faked a rescue last year of hill tribe children from sexual slavery. Investigations by the Thai non-government organization Trafford and the Ministry of Social Development and Human Security (DSI) have found that the children have never left their homes, continued to attend school and suffered as a result of the publicity advertised by The Grey Man. The Grey Main claims it used special forces comprised of ex-police officers and special services veterans, to rescue 21 Akha hill tribe children from the village of Baan Khun Suay in Chiang Rai last October. Both the Australian Federal Police and Thailand's Ministry of Foreign Affairs will be running parallel investigations that focus on the "alleged use of false advertising to solicit funds". "We have no problem with any authority looking at our operation. Our major concern is for the children, and we stick with everything that we've done" says The Grey Man's president, John Curtis. (The Australian)

Commentators are noting a possibly shift of the insurgency as a whole into higher gear. Multiple series of recent attacks continue to involve notably larger numbers of better-armed, better-trained insurgents with well-organized units. There is no secret that separatists are seeking to increase the pressure on Thai security forces. In addition to staging larger assaults to seize ammunition and weapons, insurgent tactics have also shifted in ways that reflect their growing confidence and boldness. Despite increased violence involving larger guerrilla assaults, analysts do not believe the insurgents pose a real threat to Thai military control. However, escalation of the conflict and more aggressive counter-measures will inevitably undermine Bangkok's "politics-first" strategy for controlling the situation, impact the potential peace process and call attention to the conflict's international profile. Analysts are advising the government to wise up to the fact that the southern insurgency no longer remains a fragmented free for all with no coherent command structure. This week, a soldier was seriously injured in a roadside bomb explosion in Yala, an assistant village headman was gunned down in front of his wife, five rubber farmers and one policeman were wounded when a man fired a gun at rubber farmers who had blockaded the main road in protest against falling rubber prices and a security guard at Na Pradoo train station was killed in a drive-by shooting in Pattani. (Bangkok Post) (Asia Times).