



HUMAN DEVELOPMENT FORUM FOUNDATION

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Summary

Flooding spreads to the South of Thailand as Northern citizens finally receive news of upcoming tax breaks. Varying opinions of political power continue to be polarized while a Democrat MP is being charged for murder. Abhisit Vejjajiva is also offering his opinion on what should be political priority. Gains in the market allowed Thailand to start the year on a confident economic note but the unknown future of the global economy remains a source of negative pressure. The importance of preparing for the ASEAN Economy Community (AEC) is encouraged as vital to future gains while Thai banks and private companies struggle to find their place in the modern international environment. Officials are calling attention to reducing smuggling as a link to reducing the insurgency as the violence continues. Violence also arises for the Chinese security patrols in the Mekong River while analysts comment this is only the beginning of backlashes from warlords and drug armies. Future energy cooperation with Cambodia is underway and the place of North Korean refugees in Thailand is discussed.

Politics

Although it's the start of a new year, news headlines seem to be all too familiar with the second half of 2011. Floods dominated news coverage as the South of Thailand was hit by flash floods, wreaking havoc and inundating 9 out of the 14 southern provinces. While some communities were faced with up to 2-meter-high floodwaters leading to evacuations, while other parts of the South are already recovering.

In related news, the cabinet this week approved tax breaks for victims of all floods from July 25 to the end of 2011. The breaks allow for deductions of up to 100,000 baht for home repairs and 30,000 baht for car repairs from the personal income tax, with the additional limitation that you have to be a resident of an area that had been declared a disaster zone. (Bangkok Post) (The Nation)

Political analysts and observers stated their opinions on what could be the most critical political issues this year including the possible return of former Prime Minister Thaksin Shinawatra. Somchai Srisutthiyakorn, a public administration academic at Sripatum University, warned not to underestimate the anti-Thaksin factions, as he believes that a constitutional

amendment of Section 309 could easily set them back into action. Additionally Mr. Somchai believes the cabinet reshuffles coming mid-year, when the 5-year ban of 111 executives of the dissolved Thai Rak Thai Party ends, there may be further rifts within the current ruling party. On the other hand, Chaiwat Khamchu, a political scientist at Chulalongkorn University, views the cabinet changes as a possible benefit to the government, claiming that the banned Thai Rak Thai executives are capable technocrats and politicians who may outperform some executives currently in charge. As for the proposed changes to the constitution, Mr. Chaiwat stated that the government could minimize controversy by allowing a national referendum to elect members of the draft committee. The academic also felt that the government successfully avoided confrontation with royalists by vowing to keep the current *lese majeste* law as is.

Democrat MP Khanchit Thabsuwan has been charged with premeditated murder of political rival, Udorn Kraiwatnusorn, but is now out on bail after surrendering to police. Investigators are now looking for a woman, named "Kuk", who, according to statements given to police, may have been the reason behind the shooting. No further details have been given. After two requests from police, Mr. Khanchit has still not turned over his .40-calibre pistol – the same type of weapon used in the murder – for inspection. Yet despite this, authorities said they are ready to indict Mr. Khanchit. The father of Mr. Khanchit and former Democrat MP, Anek Thabsuwan, continues to maintain his son's innocence and dismisses rumors that his son was a in love-triangle relationship that connected his son to the victim. However, Deputy Prime Minister, Chalerm Yoobamrung, told the press he knew "every little single detail about the motive" behind the killing and indicated the motive was not political, but would rather not speak about the case.

Opposition leader Abhisit Vejjajiva has warned the government to focus on tackling corruption and reviving the economy, rather than amending the lese majeste law or granting amnesty to former prime minister Thaksin Shinawatra. He cited increasing commodity and energy prices and preparations for integrating with ASEAN as issues requiring the government's attention.

Economics

In line with gains elsewhere in Asia, The New Year began with a positive start as the SET index opened in at 964.10 points and closed at 1,025.32 points. Specifically, there was a rise within oil prices, supporting energy shares. The rise was backed by positive U.S. and European economic data which boosted shares and commodities worldwide, although analysts remain skeptic as stocks edged lower later in the week. Analysts' had originally anticipated the SET to be set at around 1,200 points at the beginning of 2012. Recapping on last year, the SET hit the lowest point of 904.06 in September and peaked at 1,144.14 in August. Despite the significant decrease, daily trading remained high at 28.85 billion baht compared with 28.69 billion baht in 2010 and securities borrowing, lending and short selling remained active due to the constant variance between gains and losses. Annual inflation improved more than expected in December as consumer price inflation in December was 3.5%, compared to 4.2% the previous month. Core

inflation slowed to 2.7% annually from 2.9% in November. The inflation percentages remained below the 4% consensus forecast. (Reuters) (Bangkok Post) (NASDAQ)

Arguing for the need to boost investment and rebuilding after last year's flood, the cabinet has agreed to transfer responsibility for a large section of government debt to the central bank. This will allow the government to take out more loans and mitigate limitations set by the requirement that debt service obligations are under 15% of budget expenditure. The current debt is 2.38 trillion baht for fiscal year 2012, but the amount of 1.14 trillion will be transferred. This outstanding debt stems back to the 1997 financial crisis when the Chavalit Yongchaiyudh administration directed the Financial Institutions Development Fund (FIDF) to offer a blanket guarantee on deposits and liabilities of ailing banks and finance companies. Since that time, only 231 billion baht has been paid down. However, under the draft decree the FIDF will gain new powers to charge local banks up to 1% on their deposits to help finance the payments, and the cabinet will be able to direct the Bank of Thailand (BoT) to set up a fund for repaying the debt. Critics of the decision to transfer this debt, such as Democrat MP Sansern Samalapa, contended that the move would force the central bank to print more money, making the currency worthless.

International markets remain a key cause for concern. Experts are noting that Thailand will be facing significant difficulties in fulfilling their role within the ASEAN Economic Community (AEC). Specific focus has been laid on the lack of private sector involvement among SMEs outside Thai borders and the government's lack of investment in supporting innovation. Additionally, high overhead costs, complicated country rules, and the lack of ASEAN and trade specialists have further exacerbated SME's lack of initiative. According to the Franchise & License Association, 80% of franchise businesses will be unprepared for an operating the "AEC Blueprint" due to the lack of knowledge in trade processes and language skills. Education Minister Woravat Auapinyakul has supported these notions by acknowledging that the system has inadequately prepared the workforce to perform alongside regional competition. Thailand has been noted by international organizations for its high level of entrepreneurship but numerous inefficient systems; for example physical infrastructure, limiting export-oriented firms. A stronger public-private partnership, such as giving more power to appropriate institutions and influencing foreign policy, must be assembled. Accordingly, Thailand should focus on creating awareness surrounding industry environments to succeed as the AEC is implemented. (International Affairs Review)

Thai banks are noting the upcoming challenge of balancing the increased risks of global volatility and the expanding opportunities in Asia. Analysts are emphasizing that banks need to increase their risk mitigation mechanisms to operate safely while maintaining business growth within the ever-changing global environment. Thai economists, and the rest of the world, are waiting to see if the EU recession leads to a global economic slowdown in 2012 but action still needs to be put in place to prepare banks for the AEC. As both opportunities and threats to business will arise, readiness and adjustment are eminent. (Bangkok Post)

Lack of investment in foreign markets cannot be said about Siam Cement Group (SCG) which announced this week it will strengthen its presence in the United States as the economy begins to show signs of positive growth, including increases in the US stock exchange and last month's 7% growth in housing sales. In 2006, the US was one of SCG's biggest export markets, receiving 20% of SCG shipments. That 20% has become 1% to date as demand significantly dropped in recent years. SCG is hoping to promote high-value petrochemical sales and building materials market such as Cotto roofing products to regain that 20% within the next four years. Exports make up 29% of SCG's revenue, with ASEAN countries the leader purchasers at a combined 40%. In 2012, SCG plans to increase its overall turnover by 11.1% to 400 billion baht despite significant damages done by the flooding. (Bangkok Post) (UPI)

Security

In southern Thailand, security forces are working to reduce the criminal infrastructure sustaining smuggling and its link to the insurgency. Over time, the government has accepted discreet smuggling as part of the local economy and culture. However, officials are claiming that smuggling cannot remain ignored, as insurgents not only receiving support by criminals to create mutually beneficial relationships but both sides are protecting one another in the same secret systems. Undercover enforcement officers have collaborated with NewsStraitsTimes to document how bribing and smuggling operate along the Thai / Malaysia border. Reporter Rantau Panjang narrates how he and a law officer drove through customs with illegal cargo, and were contentiously permitted to pass through security check points by hanging over sums of money. StraitsTimes reported that these officials make between RM3,000 to RM5,000 a day. Watch [here](#) to see the video evidence. (Strategy Page) (NewsStraitsTimes)

At the end of last week, several intense insurgent attacks were carried out. Three separate attacks in the southern border provinces of Yala and Pattani caused one death and three injuries. Seven soldiers and paramilitary rangers were injured in bomb, grenade and gunfire attacks in Yala and Pattani. Two defense volunteers were killed and three others seriously injured in an attack by gunmen in Narathiwat. A defense volunteer was shot in front of his house in Yala. Two soldiers providing security for teachers were seriously injured by a roadside explosion. (Bangkok Post)

Thailand has agreed to a proposal calling for the establishment of a Combined Operations Centre in Guanlei, Xishuangbanna, China. The center will act as the focal point for intelligence information about cargo ships travelling in and out of river ports along the Mekong, to coordinate patrols. While increased regional cooperation in patrolling the Mekong may yield some security dividends, analysts argue not enough attention is being paid to the activities of warlords and drug armies in Burma's opium sector along the Golden Triangle. So long as drug-trafficking continues, analysts contend, the Mekong will not be safe, as the true solution lies within addressing the Golden Triangle's political and security challenges. Analysts maintain that the death of the 13 Chinese soldiers will only be the beginning as drug armies and opium warlords act out against attempted control. Following this analysis, on January 4th, four Chinese

cargo ships and one Burmese patrol ship were attacked by armed assailants on the Mekong River. The assailants fired M79 rockets at the ships, with the first rocket falling in the river and the second exploding near the patrol ship. The source of the attack remains unseen. (The Nation) (China.org.cn)

Bilateral relationships with Cambodia continue to be scrutinized, as Thailand's energy minister Pichai Nariiphaphan announced that offshore oil and gas reserves in disputed areas within the Gulf of Thailand could take up to a decade to access, regardless of the political progress between Thailand and Cambodia on joint development. Pichai will be seeking parliamentary approval to restore the Memorandum of Understanding between the two countries that was canceled by the previous Democrat government run by Abhisit Vejjajiva. "We want to see this proceed with success because it's for energy security for both countries ... for another 40 or 50 years," claimed Pichai. Three Japanese firms: Inpex, Marubeni Oil and Gas, a subsidiary of Marubeni Corp, and Mitsui Oil Exploration Co, a unit of trading house Mitsui & Co Ltd, have expressed interest in the reserves. Cooperation between the two countries may include gas separation, power generation and chemical production. There may also be discussion in regards to building a power plant. (Reuters)

Analysts are also reflecting on how the death of Kim Jong Il will affect North Korean refugees entering Thailand. Tomoharu Ebihara, Director of the Association for the Rescue of North Korea Abductees has commented that since 2006, around 10,000 North Korean refugees have come to Thailand. Due to looser border patrols on the South China border, easy crossing conditions in Laos, and Thailand's lack of interest in sending refugees back to North Korea, Thailand has become a prime escape destination. Tomoharu commented that in the short term, due to stricter Chinese border control and an increase in monitoring soldiers, it will become more difficult for North Koreans to travel in the next 2 or 3 months. However, Tomoharu predicted that if there are political problems concerning the new leader, attempted escape may become more commonplace. Tomoharu is also investigating kidnappings by the North Korean government of thousands of foreigners. In one particular case, he is helping an abducted Thai woman, Anocha Panjoi, by encouraging her family to petition the Thai government to receive answers from North Korean authorities. (VOA News)