

Political Crisis in Thailand.

Transcript of seminar presentation by Professor Medhi Krongkaew, National Institute for Development Administration, for the National Thai Studies Centre, Australian National University, 10 February 2006.

In April 1992, some 14 years ago, I gave a seminar here on very much the same topic: Political Crisis in Thailand. At that time it was a different kind of crisis in the sense that the Prime Minister of Thailand, General Suchinda Kraprayoon, was very much a disliked man. There was no doubt about his unpopularity throughout the country, particularly in Bangkok, and the people gathered in various places particularly in Sanarm Luang, to protest against his assumption of the Prime Ministership. A similar situation happened in Bangkok last week in the Royal Plaza, but this time the rally was mainly organised by people from Bangkok, against one of the most popular Prime Ministers the country has ever known.

So what is different between these two situations? In 1992 people, particularly the middle class, seemed disenchanted with government promises – or more specifically promises the Prime Minister had made and didn't follow through. This time it was different. Prime Minister Thaksin in fact is known to be very good at keeping his promises – particularly promises he gave during the first election in 2001 and again in 2005. So you cannot fault him for not keeping his word on the things he wanted to do for Thailand. Why then would there be so much anger, particularly among the middle class and the academic people in Bangkok or Thailand today?

To give you some of the background to the current situation I would like to address three issues. First, I will try to give you a brief snapshot of what is happening in the political scene in Thailand at the moment.. Second, I will examine why Thai attitudes towards the Prime Minister are polarised, for and against. Thirdly, I will conclude by saying something on the future prospects of Thai politics in Thailand.

Current politics

As regards the current situation in Thailand, let's start with the 4th of February. There was a meeting that by all accounts was the largest ever gathering in Bangkok since events in 1992. Estimates of the people who gathered in the Royal Plaza from the 4th to the morning of the 5th range from 3000 to 100,000. I was there, of course, not as a participant but an observer. I went there about 9 o'clock at night to avoid traffic jams. I wanted to see who was going there, what the mood was and so on. I'm not good at estimating but I think the size of the gathering was not as large as that predicted on the radio- it would be around 20,000 I think, at most 30,000, but still that is the largest gathering since 1992 as I said earlier. The people who went there actually came from all kinds of professions – students, those who looked like factory workers with their uniforms on, some farmers and business people etc. It was a mixed bag of all kinds of professions.

We will return to look at why these people were angry, but first let us examine the current situation with regard to other parts of Thai society. After the events of the 4-5th, there was a continuous flow of Thaksin supporters coming to give him moral support at the government house. The stream of visitors continued several days, showing that some parts of the country still rally behind the Prime Minister. This support needs to be taken into account when you analyse the situation in Thailand.

There is another group of the people who are normally quiet – the majority, though some maybe very vocal – and these are the University professors like myself. We are the kind of people who do not easily come out and rally for or against anyone. We just keep on doing our work, teaching, doing research and so on. But this time, more than any time that I can remember, University professors from around the country have come out against the Prime Minister. Long petitions signed by many well known professors have asked for the resignation of Prime Minister Thaksin, noting all the faults that they found against him. Strangely, it was not just one University but a cross section of universities, both in Bangkok and up-country. It started with my old university, Thammasat, which is a well known place for this kind of social awareness, then moved to the Department of Political Science at Chulalongkorn University, and then to my current university the National Institute of Development Administration (NIDA). It is funny that it happened at these 3 big universities, that happen to be those that I have been involved with all my life. I started my education at Chulalongkorn in the Department of Political Science; after graduating I taught at Thammasat in the Department of Economics; and now I have moved to NIDA. All three are the main organisers for current protests, and the petition seeking the removal of the Prime Minister. So there must be some kind of deep rooted resentment against some of the things that he has done to the country- for that is the part of the academics that has been very clear.

There is another group of protestors, comprising students. Normally today the students are very quiet, not vocal as twenty to thirty years ago. But today the students at Thammasat will – in about 1-2 hours from now – will start a rally getting petitions signed so that they can put together up to 50,000 names and then petition for the removal of the Prime Minister. I don't know whether they will succeed. But this kind of participation is a marked change from the normal activities of students in Thailand today – they are becoming politically active again..

Also interesting is the change in the political parties around this political crisis. Of course the opposition, the Democrats, are trying to get rid of the Prime Minister's party, but they have to be very careful because in the new constitution it is illegal for you to try to topple the government. So whenever they come out against the Thaksin government they must be careful that this is just an expression of opinion and not an undercover movement towards toppling the government.

It is perhaps more important to see the situation within the ruling Thai Rak Thai (TRT) party itself. The faction known to be against the Prime Minister for at least a year now, headed by Mr Sanoh Thienthong, is getting stronger day by day. Just before the rally in the Royal Plaza on the 4th, two ministers belonging to this faction- one his wife and the

other a minister of Technology resigned from the cabinet. These events made news, but didn't make much dent because they are not very important portfolios. It did represent a kind of burning of bridges between this faction and the TRT – there is no way that they can work together again. It's just a matter of trying to keep the relationship in such a way that both sides can benefit. If the opposing faction of Sanoh should resign from the party then they would not be eligible to contest a new election if the election were held right away. So they would not do that; but then again they are waiting to be kicked out of the party by the Prime Minister. The Prime Minister wouldn't do that either, because he might appear suicidal. The Sanoh faction has about 40 members of parliament and they can go to the opposition side. Although that would still not be enough to propose a parliamentary vote of no-confidence against the Prime Minister, it could still create havoc. So that is the kind of political balance that is being maintained.

Other factions and groups are still strongly in support of the Prime Minister. Other factions in the Thai Rak Thai party include the Wang Nam Yom group and the Wang Bua Ban faction headed by the sister of the Prime Minister (Yaowapha Wongsawas). Both have strongly supported the Prime Minister. Thaksin also has support from bureaucrats. The provincial governors and the permanent secretaries in all ministries work in unison to support the Prime Minister. Whenever people come to the government house to greet the Prime Minister and give him moral support, officials list all the names – this means that anyone who does not come to see him will be in jeopardy. He didn't say that, but it is well known that that is the kind of thing that Prime Minister Thaksin is prone to express his likes and dislikes openly. After the last by-election in the North when his party lost, he said publicly that electorates which didn't vote for Thai Rak Thai would not get priority. This is something which we felt should not be said, but we understand that this is his character – he says whatever is on his mind.

The current situation is influenced by what is called the Sondhi phenomenon, though from the 4th of February Sondhi himself has stepped down from the leadership in favour of a coalition of various NGOs – well-known figures from the past. I have to say that they are not very convincing because these are people who normally protested against the government anyway. I don't think they have the kind of charismatic figures that normally generate a lot of attention from the public. Anyway, these new coalitions have been formed and they look forward to having another go at the rally this Saturday on the 11th at the Royal Plaza. At first Thaksin said please don't have it here because it is nearby the Royal Palace. But the Royal Plaza is a public area, so they have agreed to allow the meeting there.

Thai society now, at least as seen in Bangkok and in some regional cities, has divided clearly into two sides – one for the Prime Minister, one against him. This is something that is very sad. You see, I myself am caught in between. On one hand I am an academic, like my other colleagues from Thammasat, Chulalongkorn and NIDA. On the other hand I also work with the government in some other activities that are not directly involved with politics but that are still policy activities. So I have been in a difficult position to distinguish between what I like and what I dislike about the current administration.

Why the polarisation?

Who are the pro-Thaksin group? I think I can say with certainty that most of the people in the countryside support Mr Thaksin. It is very easy to understand this because his election promises focused on this sector.

The most popular of all the Thaksin policies, not just in the rural area but in the country as a whole, is the medical program – the so called 30 baht program where you pay only 30 baht for a visit to a medical clinic or hospital. It doesn't mean that before that you have to pay more: previously some of the poor could get free medical services even, but you had first to go through the process of being tested and so on. Now it is universal, everyone can get a 30 Baht card and can use it at selected hospitals and health clinics. It is very popular because it reduced the cost of health care for most people. It is so hugely popular that the opposition party, the Democrats, must be jealous and would not dare do away with it if they became the government. The scheme has also created important problems, but I will keep that for later.

Apart from the 30 Baht scheme Mr Thaksin also was able to fulfil his election promises in many other areas, for example the moratorium of debt repayment for the poor farmers, the creation of a bank for small and medium businesses, setting up a scheme for the poor to borrow without collateral, and so on. You can see a series of policies that are very much in favour of improving the life and the welfare of the people – policies that many would call populist.

Another policy in this genre is the anti-poverty policy, which has become a trademark of Mr Thaksin. Three years ago he promised that in six years all poverty would be erased from Thailand. I don't know whether that can be taken seriously but anyway the proclamation has made him well liked by the people. He is very serious and sincere about doing good for the people. Just last month he combined his good will and good marketing strategy he spent five days in At Samart district in the North East. He lived with the villagers while commercial TV aired a reality TV show 24 hours a day for five days – showing how he gathered information with the villagers, made recommendations for changing their life and so on. He has endeared himself with the rural people. When he meets with them, if someone says I'm in trouble because my son is sick or something like that, he will give them money from his pocket. It is a very very common sight to see Thaksin handing out money. People enjoy it very much, though we kind of look to see if it is his money or tax money. If it is his money we probably would not have any qualms, but if it is tax money I think it might create a bad habit.

All these factors are behind the Pro-Thaksin sentiment for the past five years (today is the first day of his 6th year). They have made him one of the most popular Prime Ministers ever.

Academic perceptions of the Prime Minister

Given these attempts to help the Thai people, why is there such anti-Thaksin feeling today? Let me start with some of an economic analysis, which I feel more at home with.

I have been observing the technical aspect of Thaksinomics, as we call it, since the beginning, and have written many papers on it. I have views for and against.

I strongly support Thaksin's external policies. He is very open, very market based, competition based, and so on. He favours opening up the country for trade, for investment, for bi-lateral agreements; everything you name he would open up for challenge, because he likes challenge. He believes the country would do well if you face the challenge head on and try to be as good as you can be. Efficiency is the answer to most of his economic goals, so he would like people to be efficient and to be able to compete with everyone just like he is the chief of a company and his company is Thailand and he wants Thailand to be doing very well and making a lot of profit and so on and that is understandable too. I am in support of this kind of opening up, of competitiveness, of reducing government intervention and letting the market rule. In the last five years we have done well in terms of exports, foreign investment and foreign participation in the Thai economy.

Yesterday Thaksin gave his 5th year economic report card. Of course he showed a very good picture. The rate of growth is good, inflation is quite low and the domestic balance, the fiscal balance is good despite the need to spend a lot of money. The foreign reserves are the highest ever; in fact so high that if people want to pay off all the foreign debt of the country they could. In the past the debt was about three times the size of the reserve; now it is on par, equal, meaning if you want the debt can be paid off right away. So that is the good news. What is the bad news? Well, the currency fluctuates a bit though not excessively – people say it appreciated in the last month or so because a lot of dollars came in to buy Thai baht for the sale of Shin assets. Overall the macro economy and the external side have looked very positive under Thaksin.

The domestic situation, however, raises questions. I question the soundness of the policy of giving 1million baht to each village so that the people can borrow from the village lenders and spend it on investment. It has good points, but many villagers have concluded that 'this is the part of the government money that they want to give to you'. You borrow it and you use it, and if you don't have enough money to pay it back then perhaps they will absolve your debt later on. Or, even more serious, some local authorities try to push the borrower to pay back in one year – official figures show that the repayment ratio is good at about 90%. But in some cases the borrower actually has to borrow from other sources to pay the government back. And under this scheme when you pay back your debt back you can borrow a second debt. We will probably need about another year or so before we can have a true picture about how successfully this rural village fund has performed. But I doubt if the success will be that great.

The 30 baht health scheme is also good in many respects. Many of us academics would have liked to see this happen long ago, but we were afraid that the country is not rich enough yet. 30 baht is very little. It's almost free, and you cannot change overnight from a market based cost recovery system to a free for all health scheme. You need a lot of money, and Thailand doesn't have enough money. The initial program was started with a simple calculation of how much Thailand has spent on public health. Suppose you spend

300 million and if you have 10 million people using it. So they just divide 300 million by 10 million and, voila, you get a number that is around 30 baht. But actually, economists know that when the price changes people's behaviour changes. The price becomes cheaper so the use increases. But those who created the program don't appear to have been economists, and did not foresee the costs that would be incurred. Now the government can't get rid of it because it is so popular; and at the same time they don't have enough money. Hospitals have tried to economise as much as they can – by giving simple medicine, trying not to treat patients too long, and so forth. This causes public complaints, though overall the scheme is still very popular.

The third policy I have some doubt about is the so called 'debt moratorium' for small farmers. I was involved with this before the Thaksin government, because its predecessor asked me to look into it. I couldn't decide on its usefulness. If you implement such a scheme you allow those who are in debt to delay payment, while punishing those who have payed back their debt. You reward bad debtors and punish good debtors. But Thaksin simply committed to a three year moratorium.

Nonetheless I think what most troubles the intelligentsia, academics and middle class most is that they do not like the way the Prime Minister controls the political system. It seems that the government intervenes in the independent bodies that oversee the functioning of society – like the National Counter Corruption Commission, the Anti-Money Laundering Agency, the Election Commission, the State Auditing Commission and so on. These independent bodies happen to be, well to put it mildly, influenced by the government in some way. You cannot easily explain why this is so, but if you look closely, most of these independent bodies are headed by former policemen who happen to be friends and associates of the Prime Minister. While you can't say that these friends will always act in favour of the Prime Minister, it creates doubt in many minds.

Probably the most serious factor that bothers many of the protestors now, including Mr Sondhi, is the way that the Prime Minister has handled his own business. Although Mr Thaksin has followed the law – you cannot fault him on this, he has very good lawyers who help him remain Prime Minister while controlling his own assets. We don't fault him on that, but simply ask whether dealing with his assets in such a way is becoming of a government leader, of Prime Minister of the country? What bothers a lot of the people is an apparent conflict of interest. People doubt whether the behaviour is correct for a leader of our country.

Mr Thaksin gave his explanation for this on his weekly radio address last Saturday. It was very well delivered I must say. (Actually I listen to him every Saturday, because I teach my students the policies of the country and therefore have to listen to the policy maker.) He explained that when he came to business he had to struggle like every other businessman. You fail, you succeed and so on and so forth. He has gone through this so the message he has tried to deliver last Saturday is that after his several decades of trial and error he became successful. He has accumulated rewards from his past activities and efforts, which he has said he has done according to the law of the land. He achieved his personal victory against great odds. I believe that the impact of that morning address

must be great. His reasoning was clear, and he must have captured a lot of sympathy from many of the Thai listeners. Perhaps that contributed to the smaller than expected numbers at the Royal Plaza.

According to the law Thaksin didn't do anything wrong. Stock which is sold in the stock market of Thailand, the SET, is tax free. That is very clear, no need to interpret. But some people say why would you try to make the profit out of this when you know that other people will have to pay, including workers who receive a daily income. They have 10 percent of their money withheld as tax even before they get the money. If you have 100 baht 10% will be deducted as tax. But how can someone earns 73 billion baht, US\$1.8 billion, and not pay one baht of tax? People wonder why would someone like our leader go through all this to try and get as much as possible without having to pay any tax. If he should say, even though I am not required to pay the tax but I would subtract 30% and pay anyway, no one would feel anything bad against him. In fact the opposite would be true. "Oh this Prime Minister of ours is so generous; he gave so many billions to the country". But he didn't do that. In our circle, this was the straw that broke the camel's back. Thaksin was eventually forced to make some kind of offer – of the 73 billion baht he pledged 1 billion to his own foundation – his foundation, by the way, not another foundation – to be used for distance learning.

Technically Thaksin cannot be faulted. I know this because I teach public finance. I have been saying for many years that I don't like existing rules at all. Exemption on capital gain has been going on for thirty years. It is understandable as an incentive at the SET beginning, but it should have been revamped ages ago. You could put a ceiling on it, but actually I would like to treat this as normal income, any earned income that we have so that you can create a situation of fairness in the society. If you know the situation in the Thai society you will realise that decisions like this are important because despite the growth in our economy income inequality, measured by the Gini index, is one of the highest in the world. I look at the income inequality situation in Thailand with a very worried mind. If you don't correct this situation the people will get money from sources that although legal will create greater inequality in society. I am very, very upset that the ministers in charge, ministers of finance, came out and said that they didn't want to change, that it was good for the country. I have advised the planning board (NESDB), that poverty will not be a problem in Thailand in the next 5-10 years, because as the country grows, poverty will reduce – but you should pay more attention to inequality. Well they listened to me, yes. They actually set up a new office at NESDB just to deal with income distribution, but so far nothing has happened, particularly with this loophole in the income sources. I hope this episode will start them thinking seriously about this tax loophole now

Prospects.

In discussing the future I don't have any position for or against the government or Thaksin. I feel very sad, and regret that we have come to this point where two sides in Thai society are pitched against each other. We have tried to advise Thaksin many times in the past years, and at first he listened. But when his popularity grew he tended to cast away the advice from academics. So much so that whenever we open our mouths he

would hit back – particularly those more vocal than myself, including Dr Chalongphob and Ajarn Thirayuth. After retreating for a while, academics are once more speaking out.

Strong supporters of Thaksin still remain, and I think that they will keep him in power: I don't see any immediate danger of a Thaksin being toppled like the situation in 1992. But the life of the new government under this situation will be very, very difficult. Wherever you turn you will get criticised; you will get a needle that pricks you all the time. Assuming that he can follow the path of democracy in the next three years [till the next scheduled election], I don't think that he can have smooth sailing. I doubt he will have enough emotional ability to handle this needle that keeps pricking him.

Thaksin gave a speech yesterday when a group of taxi drivers came to give him moral support. They are on his side because just two weeks ago Thaksin handed out several taxi cars to drivers as a prize for these drivers. He said that these are my people and if I call them to support me they will come – a kind of a veiled threat that if the other side is not too careful, then he will retaliate. That is not a good threat, because if it leads to violence the king would not stand for it. Remember last time when Suchinda asked his soldiers to attack the protestors? The next day he resigned because the king came and demanded it. So that will not happen. Whenever there is violence whereby the protestor is crushed or attacked by the government that will be the end of Thaksin. He knows that so he will not do that. We don't know yet what will happen, but it is the kind of the situation that is not good. The stock rate fell three days in a row and if this situation continues it will not make any improvement. For me anyway I don't care because I don't think that the stock market is very important to the future, the way it is run today anyway. But anyway it doesn't leave a comfortable environment for the financial sector.

With that I would like to finish my presentation and be happy to hear your comments or questions.

Questions and discussion

Following the presentation Professor Medhi responded to question in relation to: the Prime Minister's handling of the situation in the South; his alleged support for criminals avoiding justice; his alleged use of public office to circumvent the law and pursue personal gain; royal concern about the current situation; and the attitude of the media.

Professor Medhi acknowledged a widespread perception that Prime Minister Thaksin had mishandled problems in the south. With the situation there continuing to cause concern he had handed over major responsibility to Deputy Prime Minister Chidchai, and former Prime Minister Anand Panyarachun. Even this has not been very successful as Khun Anand seemed unable to make progress through the National Reconciliation Commission he headed. The situation appeared to have improved slightly, but there is still a long way to go.

There was, however, no clear cut evidence of Thaksin supporting criminals. Indeed under Thaksin one of the most influential 'godfathers' (jao phor) had been arrested, put

on trial and found guilty, even though his son is a cabinet member and supporter of Thai Rak Thai.

In at least one sense Thaksin might be considered above the law. In Thailand cabinet decisions are often as effective as the law – and Thaksin dominates cabinet proceedings. He can also get what he wants through parliament as he has a overwhelming majority. It is indeed possible for him to enact an emergency decree which comes into effect immediately – as he did in regard to emergency powers in the south – before getting parliamentary endorsement of this. Clearly, however, he has not sought to change laws that have been of financial benefit to himself and his family, such as the tax-free status of trading on the stock exchange.

Prime Minister Thaksin does keep close control over the nation's purse strings. In the past budgets provided detailed allocations for each ministry, but now there is a huge central fund, which he alone has the authority to use. Sometimes he promises financial assistance on his travels throughout the country, and cabinet will endorse this afterwards. Cabinet retains the final say, but they are very much under Thaksin's influence.

The involvement of the royal family in recent developments is not clear, and it is of course difficult for Thais to talk about. Every year the King gives a speech on 4 December, the eve of his birthday, and this is eagerly awaited. Last year he discussed the importance of seeking a self-sufficient economy – an indication of concern about government high spending. He also urged leaders not to get involved in feuds and conflicts (including the use of libel suits), but to maintain harmony.

Some members of the King's Privy Council have also recently given speeches which have been closely analysed. Two days ago the head of the Privy Council, former Prime Minister General Prem Tinsulanond gave a speech in which he talked about the ethics of leaders. He spoke in general terms, but some people saw this as a subtle criticism of the prime minister.

The King is, however, very concerned to ensure national unity, and does not take sides. He, and other members of the royal family, do of course, correctly support the Prime Minister. Just one day after the mass rally at the Royal Plaza the Queen herself gave a banquet to cabinet members in the North; they all went to Chiang Mai to be feted by the Queen. However royal family members also try to signal to the leaders that they should take public concerns into account. I am still very comfortable in believing that nothing bad in terms of violence will happen in Thailand, because whenever that happens the King will step in to calm it like before.

On the matter of the media, it is fickle – it moves with social forces. During the last government, when Chuan's Democrats were having trouble, they all joined in trashing the government and supporting Thaksin. That continued in the early years of Thaksin's rule. But when they realised that some things are not going as smoothly as they should, they started to change their position. The case of Khun Sondhi is a good example. Khun Sondhi was an admirer of Thaksin in the first term of his government, supporting Thaksin

all the way and condemning the Democrats. But suddenly something has gone wrong and I don't know what triggered this. According to Mr Thaksin himself last Saturday he said Sondhi became angry because he didn't support Sondhi's request to help reinstate a banker friend of his; also, Sondhi came to him to try and get a form of television license, but Thaksin was unable to help as it was not within the law. Whether this is true or not I don't know.

However many more issues have now come to the fore, and other media have joined in asking questions about the dealings of the Prime Minister. No newspaper is more influential than the mass circulation *Thairath*. It is read by farmers, labourers, and professors. *Thairath* is good at supporting the right people to support; and now *Thairath* has come against Thaksin. It happened about 6 months ago I would say, the middle of last year when they started to air criticisms on page 4. And other newspapers have followed – I don't see any newspaper now that actually supports the government. But television is a different story. This is still very much under government control. During the rally at the Royal Plaza last Saturday no channel reported from the scene, as would normally be the case. Radio is very much the same, except for some low-powered local radio stations, who run against the government openly. So I think the media is still very divided between the so called audio-visual which is still very much in control of the government, and the news media, the printed media which I think is not pro government now