

## An Update on Thailand's Political Leadership in Transition



Presented to  
the Geneva Asian Society  
Geneva  
On Mon. Nov. 13, 06  
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## Agenda – Update on Thailand Political Leadership in Transition



- I. Thailand Political and Economic Background,
- II. PM Pol. Col. Thaksin Admin.
- III Interim PM Gen Surayud Government (+ Prologue),
- IV. Prospects and Challenges.

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## Basic Information on Thailand



- 64 Million People with average annual income of \$ 8,300 (2005 est., on PPP basis)
- Total Area as big as Spain
- Major Religion : Buddhism (94.6%), Muslim (4.6%)..
- Main Export over \$105 billion worth of product : Food, Rice, Rubber, Tourism, Automobile parts, Jewelry, ICT appliances
- Political System : Interim National Assembly, soon to be elected Parliament in 2007 with Constitutional Monarchy
- Head of State : King Bhumibol
- Interim Prime Minister: Gen. Surayud Chulanont

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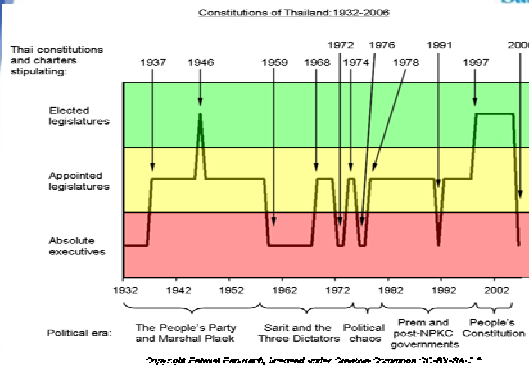
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## Chart 1 - Evolution of Thai Constitution



Source: Patiwat Panurach (2006, MIT)

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## The 74 Years of Thailand Democracy Evolution in Brief



**The Democracy Monument** in Bangkok, built in 1940 to commemorate the fall of the absolute monarchy in 1932, was the scene of massive bloody demonstrations in 1973, 1976 and 1992.

- During 1932 to 1973, history was dominated by the military dictatorship.
- The history of Thailand since 1973 has seen a difficult and sometimes bloody transition from military to civilian rule, with several reversals along the way..
- 33 Admin. /24 Prime Ministers  
Average Duration = 2.24/3.1 yrs  
Two elected Admin. Served full 4 yrs term (PM Chuan+/Thaksin)
- 17 Constitutions/Charters..  
Average Duration = 4.35 years  
People's 1997 Constitution lasted 9 yrs..the most democratic of all.

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## Thailand's Previous PM Pol Col Thaksin Shinwatra during Feb 9, 01 to Sept. 06



Thaksinomic core is populist economic policies designed to increase the purchasing power of Thailand's rural lower class. Some examples are:

1. A three-year debt moratorium for farmer, combining with Thailand's stated banks aggressive credit extension
2. Subsidized petrol and diesel prices, home, taxi, insurance..
3. The Bt 30 per visit medical scheme
4. OTOP – One-Tambon-One- Product
5. Expediting Privatization and
6. Massive popular Mega-Projects

Populist massive spending with innovative scheme & public financing

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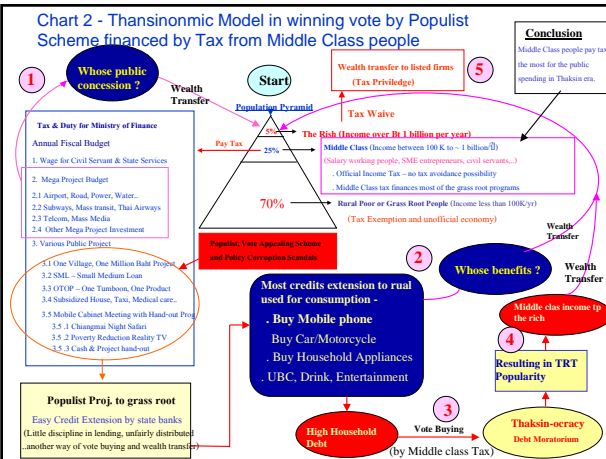
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Chart 2 - Thaksinomic Model in winning vote by Populist Scheme financed by Tax from Middle Class people




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## Thailand political crisis 2005– 6

- **Original Sin** – State bank KTB CEO Mr. Viroj Nualkhair controversy, CTX/Airport Link deal Corruption, Nepotism, Scandals..The conflict of interests escalates..
- **Triggering Points: \$1.88 b Tax Free Sale ( & foreign nominee) issues of Shin-Temasek deal** lead to the house resolution.
- **Anti-Thaksin and pro-Thaksin rallies**
- **The “Finland Plot ‘99” by “leftist Oct.’70s”**
- **The “Charismatic Figures”**
- **August 2006 – “Faked” Car Bomb Attempt**
- **Sept, 2006 Coup D’etat (or Coup De Grace ?)**

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**Table 3: Controversial April 2006 Election (One Horse Race - TRT)** 

	No. of votes	%
Thai Rak Thai	15,866,031	53.0
Democrat	Boycott	----
Chat Thai	Boycott	----
Mahachon	Boycott	----
Other parties	267,194	1.1
"no vote" and "disqualified" ballots	13,658,067	46.6
Total voter turnout	29,791,294	100.0
Total eligible voters	45,663,089	
<b>% voter turnout</b>	<b>65.2</b>	

Source: Election Commission, Krungthep Turakit (April 06)

Note: In case of single candidate standing for the ballot in any district, that candidate must win at least 20% of vote in order to be valid. This is a major implication in the South.

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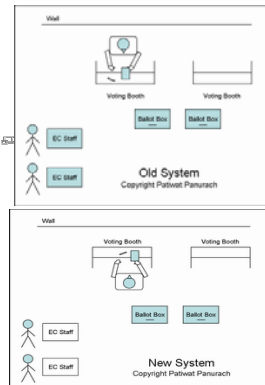
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**Chart 4: Nullification of April 06 Election and Political Dead Lock**



- After the House dissolution on Feb. 24, 06 to defuse the political crisis triggered by the Temasek-Shin sale, general elections was held on April 2
  - On May 7, 06, Constitutional Court (9-5) declared the election invalid based on reposition of voting booth.
  - On July 26, 06, Criminal Court jailed the three of four powerful election committee members who refused to resign from their malfeasance and mishandling of the reruns of the April 2 general election.
- A sole candidate in any district election is required to win at least 20% of all eligible votes in that district in order to be valid.

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## Thailand Interim PM Surayud Chulanont, Oct 06 - Present



### Maiden Speech focused on

1. **Justice to All:** Tackling Peace to the (Muslim dominated) Southern Unrest.
2. **National Harmony:** Bringing Unity to a country divided by previous Admin.
3. **National Gross Happiness,** not GDP,
4. **HM the King** suggestion to emphasize more "Self-Sufficient Economy"

- Born Aug. 29, 19 43
- Married, Buddhist
- A Former Army Chief, Supreme Commander and Privy Councilor
- Nature conservationist
- both a skilful soldier and a tactful leader.
- Son of Communist, Lt. Colonel Phayom
- Grandson of failed rebel Phraya Sri Sitthi

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## PM Surayud Cabinet Oct 06



### Key Posts:

DPM & MoF M.R. Pridiyathorn  
DPM & MoInd Dr. Kosit  
MoFA Nitya, MoComm – Kirkkrai,  
MoEng Dr. Piyasvati, MoInt Aree

- A business friendly, technocratic cabinet
- Dominated by former bureaucrats
- Expecting a steady hand on the econ.
- 26 new ministers with combined age = 1,700 years. [Ave= 63 yrs, Max. = 72 yrs, Min. = 53 Yrs]
- 2 "Lady" or Khunyng Titles

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## PM Surayud v.s. ex PM Thaksin

- |   |   |
|---|---|
| <ul style="list-style-type: none"> <li>• Retired Army General with "Special Welfare"</li> <li>• Former Privy Council</li> <li>• Appointed PM</li> <li>• Favorite – Trekking, Nature conservationist, Simple Life</li> <li>• Aim for high Gross Nat'l Happiness Index</li> <li>• Believer in Buddhism.. Becoming monk after retiring from Army</li> <li>• Mandate for 1 year term</li> </ul> | <ul style="list-style-type: none"> <li>• Ex Lt. Pol. Colonel with "Special Business", ICT</li> <li>• Ex Telecom Tycoon</li> <li>• Elected PM</li> <li>• Love – Starbuck, Brand names, Attention..</li> <li>• Known for high GDP growth with quick act</li> <li>• Like scientific polling &amp; Astrologers ☺</li> <li>• Hope to be PM for 20 yrs, but end in 5 yrs</li> </ul> |
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## PM Surayud's Political Priority

- 1. Political Stability: First and Foremost..**
  - Series of visits to North & North-East to meet and chat with grass root people..
  - Visits to Neighboring nations (except Burma)
  - Active the Internal Security Operation Command
- 2 Southern Unrest: > 1,700 casualties since '04**
  - Revived the Southern Border Provinces Admin. Center (SBPAC) for Open communication and "self-rule" (Abolished by Previous Admin in '02)
- 3. Cracks down on Corruptions:**

AEC (Asset Exam. Com), NCCC (Nat'l Counter Corruption Com), OAG (Office of Auditor-General)..

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## PM Surayud's Economic Priority

- 1. Promote economic recovery:**
  - Aiming for mid-2007 recovery leveraging from recent 25% fall in oil prices, lower inflation, potential rate cut & strong export.
  - Fiscal Budget for Bt 100bn (with BoT's blessing)
  - Promised to maintain many populist policies (e.g. the Bt 30 (now Bt Zero) health care scheme, village fund (with more transparency & discipline), OTOP..)
  - Two Subway extension projects for Bangkok
- 2 Ratification of the Econ Partnership Agreement (FTA) with Japan: aimed by 2Q07**
  - More incentive for Japan to expand production to Thailand
  - Excluding sensitive issues Ex: financial liberalization, rice..
- 3. Deal with Pending Issues:**
  - Supreme Admin. Court case again PTT ..
  - Nominee Issue & Foreign Limit Implications on Temasek-Shin deal
  - Rapid expansion of Hyper-Marts [e.g. Tesco, Lotus..

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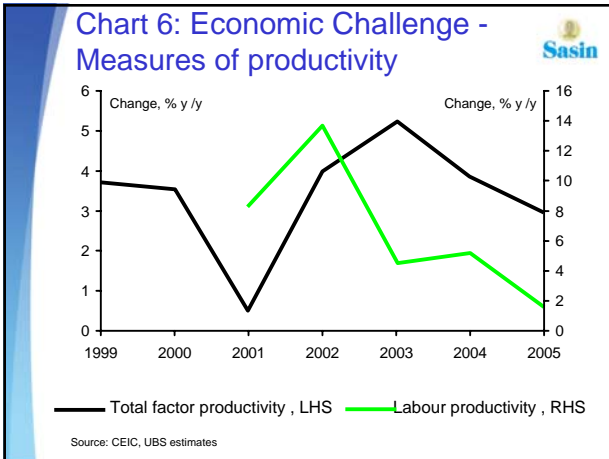
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### Table 5: Economic Prospect - GDP growth forecasts

% y/y	2005	2006F new	2006F old	2007F
<b>Real GDP</b>	<b>4.5</b>	<b>4.8</b>	<b>5.4</b>	<b>4.0</b>
Real Consumption: Private	4.5	4.7	4.7	3.8
Real Consumption: Government	11.1	5.5	4.0	4.0
Real Gross Capital Formation	12.6	10.0	14.0	9.0
Private	11.2	10.0	10.0	7.0
Public	11.7	10.0	25.0	15.0
Domestic Demand excl. stocks	7.0	6.2	7.2	5.3
Net Exports of Goods&Services, ppt contribution	-2.1	0.5	0.2	-0.7

Source: CEIC, UBS estimates Oct 06

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**Political Challenge – Democracy: The Grabbing Hand** 

**1. Democracy in both value and virtue is**

- A Political Process to achieve all means & ends
- Based on 'Equality' Belief at heart
- One-man, One-Vote (+ 'Freedom of Speech')

**2. The first lesson for economist from political science is the government is NOT single, rational decision maker as suggested by Krueger [1994]**

**3. Shleifer & Vishny [1999] - 'The Grabbing Hand'**

- Politicians are rational and self interested.
- Politicians concerned about re-election, exercise of power and prestige.
- Political Campaigns needs a lot of money.
  - 'Money Politics', 'Patronage System'
- Democratic purity is sadly and inevitably distorted by the big, rich and powerful in domestic and now frequently across nations.

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**Political Challenge – Democracy: The Grabbing Hand** 

**4. Parenti [1980, pp. 262- 269] – 'The Bureaucratic system'**

- The political process continues beyond legislative bills and executive orders.
- The bureaucratic civil officials are undependable administrative process.
- Most Officials are also rational, self interested for their career and economic gains. [Except: Benevolent Social Guardians]
- Most Officials are neither **neutral** or **nonpartisan**.
- Most Officials are neither **elected** by the people nor **responsible** to the legislature.
- Many Officials' first line of defense is to **selectively** present information and mis-information to the minister and/or public.
- Many officials overtime learn to play 'Game or Timing' or duel for information disclosure as deemed by Shubik [1991]

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**Political Reform in the Sept. 06 Coup Aftermath (Domestically) "Diplomatic with Threat of Force" ?** 

1. Southern Unrest Peaceful Resolution hope: Apology,Amnesty?  
-Reconstituted Southern Border Provinces Admin Centre with revived the Civilian-Police-Military Task Force (CPM) 43
2. Temasek - Shin Sale: Tax and foreign Nominee Issues: "Out of Court Settlement" ?, "money politics", side-effects, etc.
3. Corruption and Scandal cases handled by AEC, OAG, NCCC..  
– Collateral Damages matter !?!
4. Former PM Thaksin's Return & his Political comeback ?  
- "Ultimatum Game" in Repeated Game, Easy or Hard Way..
5. The first real test is "Referendum" on the new constitution and subsequent **general election** toward the end of 2007

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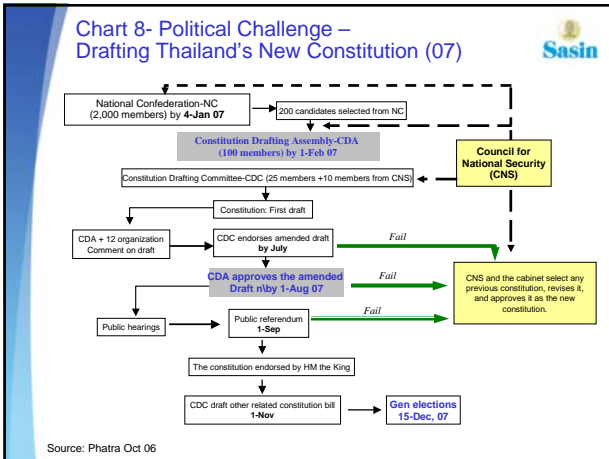
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### Table 7: Government event time line in Political Reform

Months ->	Oct-06	Jan-07 3	Mar-07 2	May-07 2	Jun-07 1
Interim constitution endorsed by HM		Approval of 2007 fiscal budget amount bt. 1.5 tn.	Referendum/ public hearing	NLA consider Charter drafting within 45 days	2007 constitution to be endorsed by the HRM
CDR transformed to CNS (The Council of National Security)		New 7-12-yr bonds to be issued to finance bt. 100 bn. 2007 budget deficit	Organic laws to be drafted by Charter writers		
Formation of NLA (The National Legislative Assembly), of not over 250 members representing upper and lower houses		Charter drafting, within 180 days after first meeting of National Assembly			
National Assembly, not over 2,000 members					
CDC (Constitutional Drafting Council) candidates of 200 persons to be chosen from National Assembly members within 7days after the first meeting, 100 of which will be selected by CNS					

Source: SCBS, Oct 06

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- ### Political Reform the Sept. 06 Coup Aftermath ( in Foreign Affairs)
1. International Institutions: Asean, Apec.. would be moderated with more public hearing voices.
  2. Maintaining a status quo on all major issues which should be decided by elected government.
  3. Aggressive major Public as well as Private relation to reclaim Thailand's good image,
  4. Bi-lateral Free Trade Agreement (FTA):
    - with US likely after the next election.
    - With Japan possibly to conclude next year.
    - Need to be ratified by the House/NLA.

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## Conclusion



1. The peaceful resolution for the 2005 to 2006 political situation dead-lock was **inevitable** by the Sept 2006 Coup.
2. **National harmonization is the foremost priority.**
3. The rural poor can no longer be neglected. Their political force and view must be heard and mulled.
4. Sequential prioritized Development in **capitalism, democracy and welfare** does not work well... Thailand needs a balance approach to develop the trilemma in synchronized fashion.
5. Corruption and conflict of interests would continue, but hopefully in lesser degree.
6. Succession issue and democratic process are well noted and addressed though the smooth transition has to be handled.

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