

Thai government survives censure debate

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The Thai government of Prime Minister Chuan Leekpai easily survived a no-confidence vote on Monday directed against ousting three of its key ministers--Finance Minister Tarrin Nimmanahaeminda, Interior Minister Sanan Kachornprasart, and Communications Minister Suthep Thaugsuban. Needing 193 votes, the opposition led by former prime minister Chavalit Yongchaiyudh could only muster 125 to 251 against.

If the matter were left to the media, the story would end there. The IMF promotes Thailand as one of the success stories of the Asian economic meltdown and Chuan is praised for implementing its prescribed austerity measures. The Thai baht has risen in value, the financial system is being restructured and the government is not, at present, facing ongoing street protests. International news reports have generally dismissed the censure debate as a comic sideshow--"an annual waste of time and newsprint," to quote one article.

A closer examination of the issues, however, and their context, reveals that all is not so sound and stable in Thailand, the first of the so-called Asian tigers to be engulfed by economic crisis. If one sets aside the unsubstantiated charges of corruption against Sanan and Suthep then the nub of the debate revolved around the role of the IMF and the government's economic policies.

During the debate, Chavalit accused Tarrin of economic mismanagement and selling off the country to the IMF. The political impact of the attack was weakened by the fact that Chavalit had been prime minister at the time that the crisis erupted in July, 1997 and hung on until a combination of international and national pressure forced him to hand over office to Chuan in November of that year. "I can tell him how the IMF had warned him of a coming crisis and how he failed to react," Tarrin responded sharply.

But the political weakness of the opposition belies the underlying sharpness of the political tensions in ruling circles in Thailand. Chavalit represents layers of Thai businessmen for whom the collapse of the boom in share and property speculation and the ongoing financial crisis represent an unmitigated disaster. Many fear their companies, both large and small, will be driven to the wall if the Chuan government's economic measures are implemented as dictated by the IMF.

A protracted struggle between the government and the Senate--an unelected body consisting of appointed businessmen, former political figures and military officers--is continuing over the passage of 11 key economic reform bills covering bankruptcy, foreclosure and alien business laws. The IMF is insisting that the legislation is passed before it will hand out the next round of payouts to Thailand from the \$US17.2 billion bailout package. Tarrin has been at pains to distance himself from the IMF demand in order not to provide further grounds for the opposition to brand him as an IMF toady.

The day after the censure motions were defeated, the Senate committee examining the bankruptcy bill dropped two key amendments. It had previously proposed severe restrictions: firstly, that the establishment of the specialised court on bankruptcy be delayed for two years, and secondly, that its mandate be narrowed to review only those defaulted loans which occurred after the economic crisis erupted.

The looseness of bankruptcy laws not only in Thailand but also elsewhere in the region has been a major target of the IMF. In the wake of the Asian meltdown, international banks and investors suddenly discovered that they were in a poor legal position to force the bankruptcy of failed companies and to recover what remained of their assets. Tougher legislation will undoubtedly lead to an acceleration of bankruptcies.

The precarious nature of Thai businesses is revealed

in the level of bad debts owed to the banks, which is expected to spiral to about 50 percent by the end of the year. According to Deputy Finance Minister Pisit Leeahtam, small and medium-sized companies represent 90 percent of the 2.5 trillion baht (\$US65 billion) in bad loans. High interest rates and concerns over credit risks led to 15.7 percent fall in total bank lending in 1998 as compared to the previous year. Even the optimistic Tarrin estimates the economic growth rate this year will only be 0.9 or 1 percent, after shrinking by about 7 percent last year.

As a result, the levels of unemployment and poverty are set to rise. According to official figures, the number of jobless doubled last year to 1.5 million. The trade unions, however, insist that the figure is much higher at closer to three million. The official unemployment rate is highest in metropolitan Bangkok where 4.6 percent of the workforce are out of a job.

Higher unemployment and falling real incomes have intensified the social crisis--school dropout rates have increased markedly, the number of drug addicts surged last year and a growing number of women have turned to prostitution to support themselves and their families. Women's groups say prostitution has increased by 30 percent.

Both sides of parliament claim to have the interests of the poor and the employed at heart. Tarrin told a World Bank conference in Bangkok in January that Thailand would set up a \$US600 million "social safety net" using money from the World Bank, Japan's Exim Bank, the Asian Development Bank and the Overseas Economic Co-operation Fund. But the sum is a pittance compared to the social problems that are developing.

Tarrin himself is from a wealthy banking family and was appointed by Chuan as Finance Minister in 1997 even though he was not an elected MP. His net assets on taking office were declared \$7.6 million and those of his wife at \$4.6 million. According to some Thai political commentators, he is aiming to take over as prime minister after the next elections due before November in the year 2000.

To the superficial observer, the Chuan government appears to be in a strong political position with a substantial majority that was boosted last October when the opposition Chart Pattana party joined the ruling coalition. But Thai party politics is notoriously unstable. All of the parties are openly bourgeois

formations for the most part based on cliques of business and military figures, representing narrow regional and sectional interests.

A string of business bankruptcies, rising poverty and unemployment, and a sharpening social breakdown will inevitably heighten political tensions and open up cracks in the unstable seven party coalition that supports the Chuan government. That is the real state of affairs in the aftermath of this week's censure debate.



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