

# Billionaire tycoon the likely winner in Thailand's election

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All the indications are that the national elections being held today in Thailand will produce a change of government with billionaire businessman Thaksin Shinawatra and his Thai Rak Thai (Thais love Thais) Party likely to take the largest number of seats.

According to the latest poll produced by Thammasat University and the *Nation* newspaper, Thai Rak Thai is leading the Democratic Party of Prime Minister Chuan Leekpai by 37.2 percent to 20.7 percent. Thaksin expects to win around 200 of the 500 parliamentary seats, putting him in the prime position to barter with the minor parties to form a coalition government.

The result, however, is by no means certain. The same poll indicated that about 40 percent of voters are still undecided, reflecting widespread dissatisfaction with Chuan's government, but, at the same time, distrust in the alternative.

Whether Thaksin is eligible to become prime minister is still under a cloud. On December 26, the National Counter Corruption Commission ruled that he had failed to disclose all of his wealth when he was deputy prime minister in 1997. He is alleged to have placed some \$232 million of assets in the names of his employees. If the Constitutional Court upholds the finding, he will be barred from holding public office for five years.

Despite calls in the media to pull out of the election, Thaksin dismissed the commission's ruling saying he would not step down as party leader and intended to become the next prime minister. He told the media on Wednesday: "My vision is not blurred. I can still carry a gun and pull the trigger. Before I die I want to kill our enemies first, and these are poverty, drugs and corruption."

Thaksin's melodramatic comments reflect the populist character of his election campaign, during which he has sought to exploit discontent with the present government. Chuan lost the 1996 election but became prime minister in

late 1997 after the coalition government of Chavalit Yongchaiyudh broke up under criticism of its handling of the Asian financial crisis. The present government has dutifully implemented the austerity measures demanded by the International Monetary Fund (IMF) in return for a \$17.2 billion bailout.

Over the last three years, social polarisation in Thailand has deepened. The official poverty rates have risen from 11.4 to 16 percent while the collapse of business empires has concentrated wealth in even fewer hands. According to Ammar Siamwalla, a prominent economist at Thailand's Development Research Institute, "Where there were 40-50 big business families in control, there are now only four or five."

Thaksin has pitched a series of promises at rural areas where 60 percent of Thailand's population lives. He has pledged to give each village in the country one million baht (\$US23,000) as well as a three-year repayment holiday on loans to indebted farmers. His opponents accuse him of engaging in Thailand's traditional "money politics"—the open buying of votes with money, food and other items. He has denied the accusation but admitted handing out gifts earlier in the year, saying that such activities were prior to the campaign period.

Thai Rak Thai makes a nationalist appeal, railing against the sell-off of Thai companies and assets to foreign investors. The party, which was only formed two years ago, represents layers of big business that are hostile to the IMF measures implemented under the Chuan government. A number of corporate chiefs have publicly endorsed Thaksin's candidacy, including Bangkok Bank president, Chatri Sophonpanich, who met with him on November 27.

The party has promised to pump government money into propping up debt-ridden banks and companies, and to review the country's bankruptcy laws which were bitterly opposed by sections of business when they were passed in

1998. The IMF insisted on changing the laws to enable international banks and investors to more readily recover their assets from failed Thai enterprises.

Andrew Stotz, vice-chairman of SG Securities in Bangkok, commented in the latest issue of the *Far Eastern Economic Review*: “Folks who owe money—that are politically connected—are tired of being kicked around. They have finally found a politician they can all get behind and collude together to push their debt burden on the government.”

Thaksin, who is one of the country's wealthiest individuals, controls an extensive telecommunications empire, operating both in Thailand and internationally, conservatively estimated to be worth over \$2 billion. He made much of his vast fortune through monopoly rights and state contracts granted by former military regimes.

He served as deputy prime minister under Chavalit Yongchaiyudh, a retired general, before breaking away to form his own party. His opponents allege that he bribed MPs to join his Thai Rak Thai—an accusation he denies. Last year a faction of Chavalit's New Aspiration Party with 46 members defected to Thaksin.

Chuan has attempted to match some of Thaksin's promises with a series of corporate tax cuts and tax concessions aimed at different groups of voters. He insists however that, if re-elected, his government would proceed with the economic restructuring program. “My duty is not to make wild promises. My duty is to tell the truth for the sake of this country's future,” he declared recently.

While the Democratic Party is expected to poll well in the capital of Bangkok it is likely to lose heavily in rural areas, particularly in the northeast. It also has been embroiled in scandals. Sanan Kachornprasart was forced to resign as Interior Minister earlier in the year after being accused of corrupt practices. Finance Minister Tarrin Nimmanhaeminda, who has been virtually absent during the campaign, faces charges of having covered up the extent of bad loans at the state-owned Krung Thai bank, once run by his brother.

Hanging over the election are growing concerns about the impact of political uncertainty on the already shaky Thai economy. Although growth rates have improved since 1997, when the economy contracted by 1.7 percent, economic commentators point to the high level of non-performing loans—\$37 billion or around 31 percent—still burdening the country's banking and finance sector.

The stockmarket fell by over 40 percent last year and the baht hit all-time lows against the US dollar. The latest indications are that the economy will slow to between 2 to

3 percent this year as compared to over 4 percent last year—a figure which is itself below the 6 to 10 percent growth rate of most other economies in the region.

International pressure is already being applied to Thailand. US credit rating agency Standard & Poor's warned last week that Thailand's sovereign rating could be downgraded unless the pace of economic restructuring is accelerated.

The *Australian Financial Review* this week commented: “Thailand's economic reforms, already slammed as being too slow and falling far below the expectations of foreign investors, are expected to be on the back burner for at least six months while the main parties sort out who will form the next government.” The article singled out Thaksin, warning that “Overseas investors have been alarmed at the pork-barrel politics of Thai Rak Thai”.

Nervousness over Thaksin's policies is compounded by the uncertainty surrounding his political future and the election as a whole. The Constitutional Court may take months to bring down its decision on whether he was guilty of hiding assets.

Furthermore new electoral regulations aimed at cleaning up Thailand's infamous “money politics” will delay the results. The electoral commission has been given wide powers to order a new vote in districts where it suspects that candidates have been involved in buying votes or other electoral malpractices. Following the Senate elections last year, new polls were ordered in 35 provinces. The earliest date for the composition of parliament to be finally decided is early March and it may be late April before the first cabinet meeting takes place.

The most likely outcome of the election is political and economic instability.



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