

Trial of Thai prime minister heightens political uncertainty

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Thai Prime Minister Thaksin Shinawatra appeared last week at the final hearing of the Constitutional Court case examining corruption charges that could cost him his job. The court case has heightened the political uncertainty surrounding the Thai government, which has been in office for less than six months. A decision on the case is expected next month, and if found guilty Thaksin would be barred from holding political office for five years.

Thaksin, who had previously ruled out making a court appearance, is accused of failing to disclose assets worth \$107.3 million while serving as deputy prime minister in 1997. He told the court on June 18 that he had “erred in good faith” and complained that the official forms had been “confusing”. The prime minister claimed that he had always earned his money honestly and appealed to the court to be allowed to continue to serve the country, saying he was only guilty of a “technical error”.

It was a rather threadbare defence. Thaksin, who is the richest individual in Thailand with wealth estimated at more than \$US1 billion, had transferred thousands of shares in his company to his domestic servants. As the chief prosecutor Klanarong Chanthick told the court, “[E]vidence of intentional concealment abounds... These maids, drivers, security guards would not have enough money to buy millions of shares.”

Klanarong, who is general secretary of the National Counter Corruption Commission (NCCC), explained that the issue before the court was not whether the assets were earned honestly but whether they had been declared. He said the purpose of Thaksin’s share manipulation was to evade stock market regulations and avoid capital gains tax. While noting that Thaksin was “a highly popular political leader,” the prosecutor called for a guilty verdict “because of clear-cut evidence that he intentionally tried to conceal wealth”.

More than 2,000 people took part in a demonstration in support of Thaksin outside the court hearing. Some held up placards reading “The prime minister is our hero” and “No other government would solve the problems of the poor”.

Thaksin and his Thai Rak Thai (Thais love Thais) party

won the national elections in January on the basis of populist appeals to the country’s poor, particularly in rural areas, exploiting the widespread discontent with the pro-IMF policies of his predecessor Chuan Leekpai. Thaksin promised a three-year moratorium on farm debt and a one million baht low-interest loan for every village in the country.

While his promises have all been somewhat watered down since coming to power, Thaksin nevertheless still enjoys considerable support. Recent opinion polls indicate that a majority backs the prime minister, with one suggesting that more than 75 percent are happy with his administration.

To boost the government, former health minister Sem Pringpuangkaew called for a nationwide letter-writing campaign in support of the prime minister, which has been assisted by the police association, military officers, state officials and businessmen.

In the week before Thaksin’s court appearance, more than 20,000 people gathered in a Buddhist ceremony in northeast Thailand involving 1,000 monks to support the prime minister. Thaksin’s supporters have gathered more than 100,000 letters of support.

The campaign underscores Thaksin’s close ties to the so-called political “old guard” that is closely connected to previous military dictatorships. Thaksin, a former police officer, obtained his start in business through contracts with the police and military. Around 120 senior military and police gathered to have breakfast with Thaksin to show their solidarity on the day of his court appearance.

Constitutional Court President Prasert Naskul has described the campaign as “frivolous” and a “distraction,” saying the court’s verdict will be based on law and not popular opinion. But the overt backing of significant sections of the military and police hierarchy for Thaksin will certainly add to the pressure on the court to find him not guilty.

The fact that Thaksin had to appear in court at all indicates that the case was going badly for him. The NCCC formally indicted him last December in the midst of the campaign for

the national elections in which his party registered a landslide win.

Thaksin attempted to delay the case and also argued that any ban on his holding political office should be dated from 1997 when the alleged offence took place. But the Constitutional Court began its proceedings on April 3.

Chief prosecutor Klanarong presented a substantial body of evidence to demonstrate that Thaksin deliberately concealed part of his assets. He argued that Thaksin did not want to report the shares nominally owned by his domestic servants because to do so would have implicated him in illegal activities. The trading of shares back and forth between nominees indicated that Thaksin and his wife were manipulating the stocks of their business empire.

Thaksin's defence lawyers have not disputed the substance of the allegations against him. Rather, they have sought to challenge the court by claiming that the proceedings are politically motivated, and to distance the prime minister from the particular transactions. Neither has been particularly successful. Most of the defence witnesses have been shown to have connections to Thaksin's party or his substantial business interests.

There appears to be little doubt that Thaksin engaged in covering up his assets. Whether he is found guilty and removed from office is another matter. The fact that he is on trial at all has far more to do with the sharp tensions in ruling circles in Thailand than the allegations made against him.

Prior to the elections, Thaksin gathered the backing of significant sections of big business—above all from those layers that suffered as a result of the IMF restructuring measures implemented under Chuan Leekpai. As well as offering handouts to farmers and villages, Thaksin promised a number of concessions to debt-burdened companies and corporations.

Since the election the government has taken a number of measures aimed at shoring up local business. Changes have been proposed to the country's business law to limit foreign investment in the retail sector and deny entry to foreign companies that compete with local firms. Four foreign consultants have been given their marching orders and state agencies have cancelled contracts with foreign firms.

On May 29, Thaksin dismissed Bank of Thailand governor Chatu Mongkol Sonakul after he disagreed with the government's proposal to lift domestic interest rates on savings deposits at commercial banks. The move was aimed at reducing capital outflows from the country and lifting the earnings of local deposit holders. The central bank government opposed the policy, arguing that it would destabilise the currency and slow the economy.

The Thai economy is already in trouble as a result of declining exports. In the light of a gathering global

slowdown, economic commentators expect further falls, particularly in semiconductors that comprise 35 percent of Thai exports. UBS Warburg in Bangkok predicts that exports will decline by 8 percent this year. According to some estimates, the growth rate has slowed from 4.7 percent last September to just 2.5 percent in March.

Under these conditions, there have been growing criticisms, both in Thailand and internationally, of Thaksin's populist promises and his attempts to protect domestic business interests. Commenting on the decision to remove the central bank governor, the *Financial Times* wrote: "There are few signs that the government is willing to tackle the underlying causes of Thailand's weak economy... The lack of progress in structural reform is sapping international confidence. With the only effective check on the government's economic policies removed, it is hard to be optimistic about Thailand's prospects."

Clearly sections of the ruling elite would prefer a prime minister like Chuan Leekpai who would press ahead with the economic restructuring demanded by international finance capital. Both the speed with which the case has been pursued and the prosecution's assertiveness are signs that powerful interests want to see Thaksin replaced.

But if Thaksin is removed from office by the Constitutional Court, it is likely to lead to further political instability as rival factions in Thai Rak Thai vie for the top job. One commentator told the *Far Eastern Economic Review*: "The wolves and crocodiles will come out if Thaksin has no legal power. They will all be trying to grab a piece of the pie." That prospect is no doubt also a factor being considered as the court prepares to make its decision.



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