

# Thai junta under fire over economic policies

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Just four months after seizing power, Thailand's military junta or Council for National Security (CNS) is on the defensive after protests at home and internationally. Far from resolving the country's political crisis, the September 19 coup has been followed by sharpening divisions in Thai ruling circles, particularly over the direction of economic policy.

The latest criticisms followed the cabinet's decision on January 9 to alter the Foreign Business Act to restrict foreign ownership of Thai companies. The proposed new law would require international investors to sell off holdings in local companies that exceed 50 percent of assets and to give up voting rights in excess of 50 percent even if foreign share ownership was less than half.

Announcing the measure, Finance Minister Pridiyathorn Devakula said it would apply to the telecommunications and other sectors of the economy "vital to national security". The legislation exempted export-orientated manufacturers such as Ford and Toyota as well as banks, stockbrokers, retailers and insurers.

Similar investment rules existed in the old legislation but were generally ignored. Previous governments allowed foreign investors to disguise their control of Thai companies through local subsidiaries. The service sector, for example, is supposedly reserved for local business. In practice, however, foreign firms are heavily involved in a range of activities from express deliveries to accounting and legal services.

Opposition erupted immediately. The Joint Foreign Chambers of Commerce of Thailand held a press conference to denounce the new rules. Diplomats from various Western and Asian embassies voiced their criticism. The international press was also scathing. Standard and Poor's analyst Ping Chew told the *New York Times*: "Thailand has shot itself in the foot. I know there are domestic pressures, but they have to be sensible and rational about it. Otherwise they are going to deter foreign investment."

Foreign investment is already falling. Inward foreign investment approvals for the first eleven months of 2006

fell by 43 percent to \$US8.6 billion compared to 2005.

The amended law threatened to trigger a re-run of the response to the imposition of capital controls on December 19. Following that decision the Thai stock market collapsed by 14 percent—its largest one-day fall since the 1997-98 Asian financial crisis—forcing a partial reversal of the new restrictions.

A day after announcing the changes to the Foreign Business Act, Finance Minister Pridiyathorn was compelled to make another humiliating back down, declaring that the inclusion of telecommunications had been a mistake.

The about face had a particular political significance as the \$1.9 billion sale of the Shin Corp telecommunications conglomerate last January had been a significant factor in fuelling protests against ousted Prime Minister Thaksin Shinawatra. Thaksin was widely condemned, not only for alleged corruption in the sale of the family business, but also for selling a strategic Thai asset to foreign interests—the Singapore government's investment arm Temasek.

Thaksin and his Thai Rak Thai (TRT) party initially came to power in 2001 by exploiting widespread opposition to the impact of the IMF's restructuring agenda. As well as populist promises for the urban and rural poor, TRT pledged to protect Thai businesses from foreign competition. Having come to power, however, Thaksin was increasingly compelled to accommodate to the demands of international capital, in the process alienating layers of the business elite that had previously supported the TRT.

The military, which took power on September 19, has been able to capitalise on the hostility to Thaksin among sections of business. It also appealed to broader layers of the population, particularly in Bangkok, who were hostile to Thaksin's autocratic methods of rule. But the military junta now confronts the same economic dilemmas as the ousted TRT government. Having promised an efficient, technocratic administration, the new regime is facing a barrage of criticism for incompetence and

unpredictability.

The *New York Times* on January 13 declared that the verdict of international big business on Bangkok's fumbling regime was negative. "[I]nvestors and political analysts seem to be counting the days until democracy is restored and a fresh government can take its place," it stated.

A BBC article on January 14 commented: "It seems evident that Thailand's new rulers intend to move away from Mr Thaksin's aggressive economic policies, preferring a more nationalist, protectionist approach. But just how far they intend to go is still a matter of debate, because so far there is little evidence of a definite policy agenda."

In a recent article, Thailand Development Research Institute director Deunden Nikomborirak posed the question: who stands to gain from the regime's economic policies? "I would say certain large local businesses would be most delighted to see foreign competitors leave the stage so that the Thai people will once again be at their mercy... we have not yet learned how much damage local monopolies can do to our country," he answered.

Public opposition has been growing to the coup, including in Bangkok. An opinion poll taken in the capital in the first week of January found that support for military rule had halved from 90 percent last September. Criticism has been openly expressed of the junta's anti-democratic measures, which were tightened after a series of bombs exploded in Bangkok on December 31. The military initially blamed Thaksin for the blasts but later retracted the accusation.

At a public meeting at Thammasat University on January 14, National Human Rights Commissioner Jaran Ditthapichai said it was clear that since the New Year bombings the regime had no intention of returning the country to democracy within a year as promised. "Prolonged martial law, the attempts to control the news media and other violations of human rights and liberties all point to the fact that the coup leaders enjoy their power and want to hang on to it," he warned.

Other academics and activists at the Thammasat forum condemned the way in which a new constitution was being drawn up by the military's handpicked appointees. Federation for Democracy chairman Weng Tojirakarn rhetorically asked: "How can those who agree to such a process produce a democratic charter?" The obvious answer is that the army has no intention of producing a democratic constitution.

On January 10, CNS secretary-general General Winai

Phatthiyakul warned radio and television executives not to publish any political commentary by Thaksin. He noted that one of the junta's first steps was to give itself the power to shut any media outlet that did not comply with its orders. Despite the threats, the Thai media has been increasingly critical of the regime and its policies.

A series of small pro-democracy protests have already taken place in Bangkok despite the continuing imposition of martial law. The latest yesterday involved members of the September 19 Anti-Coup Network who gathered in downtown Bangkok, handed out leaflets and called on people to oppose the government's economic policies.

There is also growing unrest in rural areas where Thaksin had a significant electoral base. The Network for Thai People announced that a thousand farmers would arrive in Bangkok on Friday to demand the government listen to their concerns. It is not clear whether the protest went ahead yesterday after a last minute offer of debt relief from the regime.

Some 40,000 grass growers who planted seed for Thaksin's now discontinued cattle program have threatened to dump their grass in front of government house if they are not paid for their crop. The junta is clearly concerned at the prospect of mass rallies. CNS assistant secretary General Saprang Kalayana-mitr warned publicly that the government must urgently solve the farmers' problems or more would join the protests.

Like its predecessor, however, the new military regime has no answers to the social crisis afflicting the urban and rural poor.



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