

As share market plunges, political crisis in Thailand deepens

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Violent clashes this week in Bangkok between police and anti-government demonstrators point to a growing desperation in Thailand's ruling circles to end the months-long stand-off between the People Power Party (PPP)-led ruling coalition and the Peoples Alliance for Democracy (PAD).

PAD demonstrators, who have been occupying the grounds of Government House since late August, took to the streets on Tuesday to demand that Prime Minister Somchai Wongasawat resign and parliament be dissolved. Last month, the security forces refused to enforce a state of emergency declared by Somchai's predecessor, Samak Sundarevej. This week, police and soldiers turned out in force.

Riot police moved in at dawn on Tuesday to break-up a blockade of the Thai parliament building by some 5,000 PAD supporters, who declared they would prevent Somchai delivering his first policy speech since being installed on September 17. Somchai replaced Samak, who had led the ruling parties to victory in last December's election but was forced to resign on September 12.

One woman was killed and 423 people injured when police used tear gas and stun grenades to disperse the crowd. A number of police were injured in running battles with helmeted demonstrators armed with shields, iron bars, slings and firecrackers. Thai authorities allege that two officers were wounded by gunshots. A reporter claimed to have seen at least three demonstrators carrying firearms. Another man was killed when a car bomb exploded near parliament.

Somchai's speech, delivered against a backdrop of tear-gas filled streets, appealed for political reconciliation so the government could concentrate on the rapidly deteriorating economic situation. The political instability has aggravated lack of confidence in the Thai economy, under conditions where global financial storms are prompting investors to liquidate assets and seek safe havens for their capital. Trading on the stock exchange was suspended for an hour yesterday as shares plunged 10 percent over the day. Market capitalisation has plunged by 41 percent this year to 4

trillion baht (\$117 billion).

Despite the Somchai's appeal for reconciliation, the opposition Democrat Party boycotted the session. Outside parliament house, police took no action to prevent PAD demonstrators from regrouping and again surrounding the parliament. After his address, Somchai was forced to climb over the fence into a neighbouring property owned by the Thai royal family to escape the mob. A police helicopter then flew him to the military headquarters. It was reportedly late afternoon before police could clear the way for hundreds of other trapped parliamentarians to leave the area.

Later in the day, PAD leaders repudiated the call for "reconciliation" and demanded that the prime minister dissolve the lower house of the parliament by sunset or face "decisive action". Protest leader Pipop Thongchai told reporters on Wednesday: "We will continue to fight until Somchai resigns. He has lost credibility to run the country, he has to take responsibility for the dead and injured."

The army placed soldiers armed with batons on the streets of Bangkok on Wednesday and no further clashes have been reported. But the political crisis continues unabated.

Chavalit Yongchaiyudh, an ex-general, resigned as deputy prime minister on Tuesday afternoon, saying that he took responsibility for the violent confrontation. Chavalit, who had functioned as the government's chief negotiator with PAD, told the *Bangkok Post* yesterday that the dissolution of parliament would not end the political turmoil.

Chavalit proposed another solution: "The problem can be solved by three institutions: the monarchy, which remains politically neutral, the military which appears to be not interested in intervening, and the government, which stays above the problem. So I see [the answer in] a putsch. After the army steps in, power should be immediately returned to the people and an interim government formed, in which every party takes place."

There is no guarantee, however, that even an army coup followed by a unity government would end the political crisis. Moreover, a second military coup in little more than two years would only compound the country's economic

woes. Army chief General Anupong Paochinda warned on Thursday: "It [a coup] would not be a way to solve the problem, but it would create another problem instead. The consequences could ruin the country."

Economic dispute

Behind the ongoing confrontation is a bitter factional dispute within the Thai ruling elite. PAD is led by media tycoon Sondhi Limthongkul and Chamlong Srimuang, a former general and Bangkok governor. It rests on support from sections of the urban middle class, particularly in the capital, and is largely financed by Sondhi and sections of Thai business that oppose the economic restructuring policies of the PPP-led government.

The PAD functions to some extent as a proxy for the traditional Thai ruling elite centred around King Bhumibol Adulyadej, the military and state bureaucracy and the judiciary. The conflict goes back to 2001 when Thaksin Shinawatra became prime minister and his Thai Rak Thai (TRT) party formed government. Thaksin, a billionaire businessman, had promised to reverse the IMF-sponsored austerity measures imposed by the previous Democrat-led government following the 1997-1998 Asian financial crisis, which savaged Thai businesses.

Once in office, however, Thaksin proved unable to protect less competitive sections of Thai business, including large layers of small and medium companies, and began further opening up the economy in a bid to attract much-needed foreign investment. At the same time, he used state power to benefit his own big business backers, undermining previous nepotistic arrangements that had benefitted the state bureaucracy and the military. Through handouts to rural areas, the TRT secured support in the rural north and north-east of the country.

PAD was formed in 2005 and attracted significant backing in Bangkok by opposing Thaksin's corruption and autocratic methods, including a vicious campaign of extra-judicial murder against alleged drug dealers and a military crackdown against Muslim separatists in southern Thailand. Thaksin's sale of his family share in the telecommunications conglomerate Shin Corp to the investment arm of the Singapore government for a tax-free profit of \$US1.9 billion provoked mass protests that created a constitutional crisis and eventually led to an army coup in September 2006.

The junta produced economic turmoil, however, when it attempted to reverse Thaksin's economic restructuring by imposing controls on the inflow of foreign capital. The regime pushed through a new constitution last year, which gave an amnesty to the coup leaders, as well as a security law designed to entrench the army's power to intervene politically. Nevertheless, despite the banning of the TRT, and the prohibition of 111 of its leaders from standing for

office, the TRT's successor, the PPP, won 233 of the 480 parliamentary seats in elections in December 2007 election and formed a coalition government with five smaller parties.

PAD restarted its protests this year when Prime Minister Samak Sundarevej threatened to amend the constitution. Despite its name, PAD's right-wing, anti-democratic orientation has become increasingly evident in its call for a new constitution that would have 70 percent of the parliament appointed rather than elected. Expressing the contempt of the traditional elites, PAD leaders have declared that the rural majority that supports the PPP is too uneducated to vote.

Samak imposed a state of emergency on September 4 following clashes between pro- and anti-government protestors but the military declared that it would not act to end the PAD occupation of Government House or execute arrest warrants for nine PAD leaders on treason and other charges. Five days later, the Constitutional Court disqualified Samak from office on the basis that he had received a small retainer from his long-running TV cooking show. He resigned on September 12 and was replaced by Somchai-Thaksin's brother-in-law.

PAD called for the blockade of parliament following the arrest of two of the charged PAD leaders last weekend. Chamlong Srimuang openly courted arrest by going to vote in elections for the Bangkok governor. On Thursday, the Appeals Court threw out treason charges against the nine PAD leaders. The two already under detention were almost immediately released on bail but face lesser charges of inciting unrest and illegal assembly. On Friday, the seven others voluntarily turned themselves into the police and were immediately bailed out.

There is no immediate end in sight to the political crisis. PAD is calling for protests next week against the police for using excessive force and has given no sign that it intends to vacate Government House. Yesterday, the Constitutional Court received a petition from the public prosecutors to disband the PPP over alleged electoral malpractice. If upheld, the petition could lead to the collapse of the government. Each day of turmoil on global and domestic financial markets adds to the pressure on the ruling elites for an end to the political turmoil but their deep-going factional disputes show no signs of abating.



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