

New Thai government faces pressure to ditch election pledges

Peter Symonds
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The incoming Thai government headed by Yingluck Shinawatra is already coming under considerable pressure from business circles at home and internationally to abandon its populist election promises to workers and the rural poor.

Puea Thai, which won 265 of 500 parliamentary seats in the July 3 election, pledged during the campaign to raise the minimum daily wage by 40 percent to 300 baht (about \$US10); to increase the rice price paid to farmers; to provide tablet computers for school children; and to reintroduce a cheap healthcare scheme.

Corporate leaders have targeted the proposed wage rise, declaring that it will only fuel inflation and undermine “international competitiveness.” Khon Kaen Federation of Industries chairman Withoon Kamolnaruemeth, warned: “Industrial plants might have to close down, or move their production bases to other countries.”

The British-based *Economist* noted that economists had warned against implementing the wage rise, commenting: “If introduced at the same flat rate throughout the country, this could be ruinously expensive for many small businesses, and stoke more inflation as employees seek to maintain their pay differentials.”

The Bank of Thailand (BoT) raised interest rates yesterday by 0.25 percentage points to 3.25 percent—the sixth straight increase—and warned of rising prices. Inflation hit 4.2 percent in May, the highest figure in more than two years, much of which was due to soaring fuel and food prices, which have hit working people.

BoT assistant governor Paiboon Kittisrikangwan called for “monetary and fiscal discipline,” adding that funding constraints were likely to prevent the new government from implementing all its policies quickly. According to an estimate by Standard Chartered Bank, Puea Thai’s election promises would cost around 1.85 trillion baht or \$US60 billion over the next five years.

Despite its populist rhetoric, Puea Thai is a big business party. Thaksin, a billionaire telecom tycoon, is one of Thailand’s richest businessmen, and his younger sister, Yingluck, is wealthy in her own right. The party made a definite pitch to business during the election campaign, promising to slash the corporate tax rate from 30 percent to 23 percent next year and 20 percent in 2013.

Economic growth this year is expected to be around 4 percent, half the overall figure of 8 percent last year. Having raised popular expectations during the election campaign, any move by the new government to abandon its promises to working people would sharpen social and political tensions.

In the immediate aftermath of the election, Thai shares and the baht rose significantly, reflecting hopes in ruling circles that an outright Puea Thai win could put an end to five years of political turmoil that followed the ousting of Thaksin as prime minister by an army coup in 2006. Those hopes could be premature, with a legal case announced last Friday calling for the courts to dissolve Puea Thai.

The bitter factional infighting in Thai ruling circles culminated last year in months of mass anti-government protests by the pro-Thaksin United Front

for Democracy against Dictatorship (UDD). The Democrat Party-led government responded by imposing a state of emergency and ordering a violent military crackdown in May last year that resulted in at least 90 deaths and hundreds of injuries.

The crisis was a sharp shock to the ruling class as a whole. The protesters, who were drawn largely from the rural poor in the north and northeast, had begun to voice their own social demands and vent their hostility to the wealthy traditional Bangkok elites—including the army, state bureaucracy and monarchy—that dominate Thai politics.

The months of political turmoil also had a damaging economic impact. While overall growth for 2010 was strong, the economy shrank in the second and third quarters of last year.

With the potential for the election to provoke further political upheaval, representatives of Thaksin reportedly met in Brunei with those of the monarchy and the army to reach a deal to allow Puea Thai to form government if it won. According to the *Wall Street Journal*, the military agreed not to obstruct or oust a Puea Thai government, as long as the government did not intervene in military affairs.

Whether or not an understanding was reached, none of the sharp divisions within the country's ruling elites has been resolved. Thaksin came to power in 2001 promising to protect Thai businesses battered by the 1997-98 Asian financial crisis, but bowed to pressure from international finance capital to continue to open up the Thai economy. Thaksin also alienated the traditional elites by concentrating power in his own hands and cutting across long-standing patronage systems in order to benefit his own corporate interests.

Yingluck and Puea Thai now confront legal obstacles that could potentially prevent them from taking office. Last Friday, members of the Democrat Party filed a case to dissolve Puea Thai for relying on the assistance of politicians banned from politics, including Thaksin who is currently in exile in Dubai.

While the Democrat Party has distanced itself from

the move, the case is certain to inflame political tensions. In politically motivated rulings, the courts previously dissolved two of Puea Thai's precursors—Thai Rak Thai and the People Power Party (PPP)—and banned its leaders from politics. The obvious bias of the courts was one of the factors fuelling last year's protests against the Democrats, who were installed in office in 2008 with the military's assistance after the PPP was dissolved.

The Puea Thai dissolution case is likely to be protracted. In a separate move, the country's Election Commission put a more immediate question mark over Yingluck yesterday when it postponed the certification of her election victory pending an investigation into complaints about her election campaign. Democrat leader Abhisit Vejjajiva was also among the 142 candidates whose election wins were not formally certified.

The Election Commission, which has the power to suspend candidates, is due to rule on the complaints by July 19. If any candidates are suspended, by-elections for their seats will take place on July 31. The lower parliamentary house is required to meet within 30 days of the July 7 election and to choose a new prime minister within a further 30 days.

At this stage, it does not appear likely that the courts or the election commission would block the formation of a Puea Thai government under Yingluck's leadership. Such a provocative step would precipitate an immediate political crisis and a new round of upheaval. Nevertheless, the very fact that such a step is even being contemplated is a sign of just how explosive the situation in Bangkok ruling circles remains.



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