

Thai cabinet reshuffle amid growing economic uncertainty

John Roberts**6 July 2013**

Thai Prime Minister Yingluck Shinawatra reshuffled the cabinet last Sunday for the fifth time since her Puea Thai-led coalition was installed August 2011. Changes were made to 18 cabinet posts, the most significant being in defence and finance, and 11 ministers were removed altogether. Yingluck herself replaced Air Chief Marshal Sukumpol Suwanatat as the country's defence minister.

Government spokesman Teerat Ratanasevi told the media that the new line-up would allow the government to implement its strategies after facing "many challenges" in the first half of its term in office. The government has been heavily criticised in business circles over its handling of the rice pledging scheme, delays in implementing a \$US11 billion water management megaproject following the devastating 2011 floods and its failure to proceed with a planned \$71 billion infrastructure program.

The government's popular support is also falling. Puea Thai lost a by-election for a Bangkok seat on June 16 to the opposition Democrat Party by 2,000 votes, having won it in 2011 by 8,000 votes. Opinion polls conducted by Bangkok University in June showed support for Puea Thai had fallen to 41 percent from 48.8 percent in November.

Puea Thai won the 2011 election on the basis of populist promises to ease the social crisis confronting working people, including guaranteed rice prices for farmers, a first car tax rebate and a 300 baht increase in the daily minimum wage. The government now faces demands from big business to end or wind back these measures as the Thai economy is hit by the economic slowdown in China and the continuing global economic crisis.

Finance Minister Kittiratt Na-Ranong said late last month that the situation in China had caused major

economic agencies to downgrade Thailand's growth forecasts. Thailand is heavily dependent on exports and China is its top trading partner. The International Monetary Fund has put the GDP figure at 4.75 percent for 2013, lower than the Bank of Thailand's estimate of 5.1 percent.

The Thai National Shippers Council has predicted that export growth this year would be 3 percent, down from the previous forecast of 4.92 percent. The Bank of Thailand reported in May that exports had dropped 5.1 percent to 603 billion baht (\$US19.5 billion) compared to last year. The Kasikorn Research Centre predicted that trade with China would grow by only 1 percent this year, the lowest rate in four years.

Big business is demanding an end to the government's populist measures and greater government spending on infrastructure in order to place the country in a better position to compete for foreign investment. The scramble for foreign investment is expected to intensify throughout the region once the planned Association of Southeast Asian Nations (ASEAN) common market comes into effect in 2015.

The rice pledging scheme has been a particular focus of criticism. As originally conceived, the government would buy rice from farmers at a guaranteed price of 15,000 baht a tonne—at the time 50 percent above the market price—and stockpile it to force up world prices. Instead India and Vietnam have boosted rice exports, with India overtaking Thailand as the world's top rice exporter. The result has been that the government has spent 600 billion baht, lost 136 billion baht and has 17 million tonnes of unsold ageing rice that it cannot sell.

The previous Commerce Minister cut the guarantee price on June 18 by 20 percent to 12,000 baht provoking an angry reaction among farmers and protests in Bangkok. The government reversed the

decision on July 1 leading to bitter criticism that Puea Thai was pandering to its social base in the rural north and north east of the country. The *Bangkok Post* remarked: “From the government’s point of view it is money well spent because it has an immediate effect—no protests by farmers who, instead, will shower the government with flowers.”

Yingluck’s decision to take the post of defence minister is driven by the need to establish secure closer relations with the security forces. The government is well aware that it will confront mounting social unrest as it proceeds to implement the demands of big business.

Yingluck came to office in 2011 after five years of political upheaval following the military coup that ousted her brother Thaksin Shinawatra in 2006. The traditional ruling elites clustered around the monarchy, including the military and state apparatus, were hostile to Thaksin’s pro-market measures that undermined their economic position and populist appeals to the rural masses that threatened their political clout.

The military brutally suppressed protracted “Red Shirt” protests by the pro-Thaksin United Front for Democracy against Dictatorship (UDD) in May 2010 amid deep fears within the ruling class as a whole that the social struggles were spiralling out of control. A deal was struck behind closed doors to allow Puea Thai to come to power if it won the 2011 election as long as the monarchy was protected and Yingluck kept out of the military’s internal affairs.

Opposition leader Abhisit Vejjajiva criticised Yingluck’s decision to become defence minister, claiming that she was seeking to influence the sensitive annual rotation of military officers in senior posts and gain greater control over the defence forces. If that had been the case, however, there would have been sharp opposition from top military leaders, which appears not to be the case. According to sources cited by the *Bangkok Post*, armed forces chief Thanasak Patimaprakorn and army commander Prayuth Chan-ocha agreed to the move.

While seeking closer relations with the military, Yingluck is undermining the influence of the UDD leadership in the government. Prominent UDD leader Jatuporn Prompan criticised the government, saying that those who sacrificed in the 2010 have received very little. He noted he had not been given a cabinet

post and only one UDD leader was in the ministry. “The redshirts are not a sure thing for Puea Thai,” Jatuporn said, “They can rise again.”

Prompan’s warning is a message to Yingluck that she needs the support of the UDD which played the key role in containing the 2010 protests. While workers and farmers increasingly denounced the country’s wealthy elites and began to raise their own demands for a better life, Prompan and UDD leaders confined the demands to the call for new elections. Following the violent suppression of the Bangkok protests, they opposed any challenge to the military’s emergency rule.

The latest cabinet reshuffle is an indication that Yingluck is distancing herself from the UDD’s empty populism as she prepares to impose the austerity measures demanded by big business. At the same time, she is seeking closer relations with the military to deal with the social unrest that her government’s policies will inevitably provoke.



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