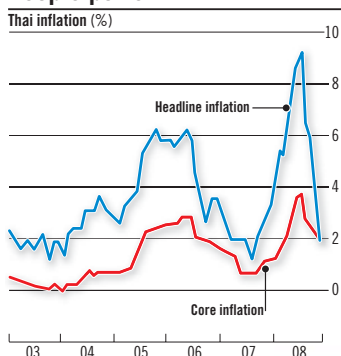
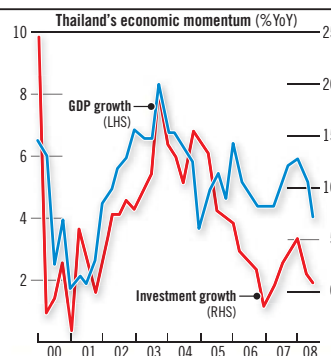


People power



| Thailand's key economic indicators (%YoY) | 2007 | Oct 08 |
|---|------|--------|
| Private consumption index | 1.5 | 2.8 |
| Private investment index | -0.6 | 1.9 |
| Manufacturing production index | 8.2 | 2.0 |
| Capacity utilisation | 73.9 | 66.4 |
| Exports | 17.3 | 4.7 |
| Imports | 9.1 | 23.5 |
| Current account (\$USbn) | 14.0 | -1.1 |
| Tourist arrivals (million people) | 14.5 | 1.1 |
| % YoY | 4.6 | -6.3 |
| GDP growth | 4.9 | n/a |



SOURCE: BOT, NESDB, CEIC, HSBC

Grim faces in Land of Smiles

The siege of Thailand's key airports ended with a whimper this week, but there's nothing to stop it happening again, reports **Anne Hyland** in Bangkok.

The clean-up of Bangkok's main airports has begun. At Suvarnabhumi, Thailand's gleaming \$6 billion international terminal, the floors are being scrubbed, the IT systems are being checked and secure zones are being swept for bombs, after thousands of anti-government protesters, who audaciously seized and occupied the airport for nine days, departed. The protesters — including women and children — packed up their razor wire, guns, knives, batons, home-made bombs, food carts and sleeping bags and left the airport this week in a jubilant mood after having helped topple the country's prime minister. Their job was done — for now.

Never mind the billions of dollars of damage they inflicted on Thailand's economy, the second biggest in South-East Asia, or the country's international reputation, which is in tatters.

A 45-minute cab ride north-west of Suvarnabhumi, more protesters had also seized Thailand's main domestic terminal, Don Mueang, the old international airport. Now it too is being readied to help hundreds of thousands of stranded foreign tourists depart.

Some tourists will never return to Thailand, so tarnished is their image of the country. Thailand — the Land of Smiles — turned into the Land of Chaos for many. As British tourist Stephen Robinson, told *The Australian Financial Review*: "They shut down the airport. An international airport! It's madness!" He had a right to be dumbfounded. In this post 9/11 world, airports are supposed to be fortresses.

In most countries, the closure of an international airport by protesters would be deemed an act of terrorism. The occupation would never have been allowed to drag out over nine days — although most Thais are relieved the protests ended without much bloodshed, despite some predictions Thailand could end up with its own Waco massacre. A few protesters died from bomb attacks and scores more were injured, but none of this was at the hands of Thailand's security forces. Instead, Thailand's police, army, navy and air force all refused to intervene and remove the protesters.

So what exactly is going on in Thailand? Because the drama isn't over — the protesters, known as the People's Alliance for Democracy (PAD), are promising more political strife, as early as next week. They have also stated that

they want Thailand — once a beacon of democracy in South-East Asia — to return to authoritarian rule.

Thailand is better known to the 600,000 Australians who visit it every year as a chilled out place, with sandy white beaches, crystal waters, terrific food and a people who take very seriously that life is about having *sanuk* — fun. But beneath that veneer rages a bitter power struggle to control the future of Thailand that has polarised Thai society and even caused families to split.

On one side are the royalists — businessmen and the urban middle class — which the PAD represents, who have traditionally run the country. On the other side is the majority rural poor, who threaten to take away that control, and who want a greater say and share in the riches of their country.

This fight continues to escalate and analysts will not rule out the potential for civil war. "This is absolutely new territory for not only the country but anyone trying to examine and analyse the situation," says Brian Dougherty, of risk consultants Hill & Associates. "We have never experienced this depth of division in Thailand." He has lived there for 20 years.

Since 2001, Thailand's rural class has voted in a succession of governments that for the first time introduced real policies that were beneficial to them.

It began with one man, Thaksin Shinawatra, who became prime minister in 2001. He mobilised the masses of poor rural voters, who the PAD accuses of being uneducated and susceptible to vote-buying, by offering policies such as a universal health-care scheme and cheap credit, which would improve their lives. There is enormous resentment in Thailand at the income gap — one of the world's biggest — that exists between the country's rich and poor.

"His populism really frightened a lot of people — business people and the urban middle class," says Chris Baker, a political analyst who has lived in Thailand for three decades. "Since the time of support for communism here, you haven't had had a political leader who was basing his support on the rural mass. For the old elite and the new middle class, they really did not know how to deal with this. They were frightened by it."

Of course, Thaksin was no saint. He abused his office for political gain and allegedly financial gain. Before he was ousted in a military coup in 2006, Thaksin's family had sold its telecommunications empire, Shin Corporation, in a \$US1.9 billion tax-free deal. And trailing that were other complaints of human rights abuses such as the 2819 extra-judicial killings his government authorised in a so-called war on drugs.

Thaksin has also been accused of trying to undermine Thailand's revered monarchy by wanting to turn the country into a republic.

Since 1932, Thailand has had a constitutional monarchy.

Certainly, Thaksin's popularity was immense, but it has never been in the same league as the devotion that Thais show to their ageing King Bhumibol Adulyadej, who turns 81 today. Foreigners have always been struck by the almost religious homage paid to King Bhumibol. His image is everywhere in the country.

Questions remain, however, whether the power and respect commanded by Thailand's monarchy will continue in the future or whether it will go a similar way to that of Nepal's royal family. The king's likely successor is Crown Prince Maha Vajiralongkorn.

The 2006 coup that ousted Thaksin was followed by a military-installed government, which was supposed to convince the majority of Thais that Thaksin and his ideas were bad.

But in democratic elections held last December, a pro-Thaksin group called the People's Power Party (PPP) won convincingly at the ballot box. The coup had only strengthened the support for populist governments rather than weakened them.

On Tuesday, the Constitutional Court disbanded the PPP after finding it and a handful of its executives guilty of electoral

Beneath that veneer rages a bitter power struggle to control the future that has polarised Thai society.

fraud. The PPP was the core of a six-party ruling coalition, and has since regrouped under a new party name, Puea Thai (For Thais).

The Prime Minister, Somchai Wongsawat, who is Thaksin's brother-in-law, resigned. His replacement will be announced on Monday and will be Thailand's third prime minister in as many months.

Somchai had been prime minister since mid-September. His predecessor, Samak Sundaravej, was forced to quit after he was found guilty by a court of making paid-for appearances on a Thai television cooking show. The Asian Human Rights Commission has accused Thailand's judiciary of making "a succession of highly politicised judgments".

The PAD has already warned it would oppose a new prime minister from any of the six coalition parties, and so protests next week seem inevitable.

The PAD may surround parliament to prevent the appointment of a new prime minister. And they can do it. Not only has the PAD, which has been described by Thai university professor Giles Ungpakorn as "fascist", shown that it can take Thailand's two key airports, but it also occupied Bangkok's

Government House — Thailand's equivalent to the White House — for three months.

The PAD accused the PPP of being a proxy for Thaksin, and it's likely it will lob the same claim at Puea Thai. (Thaksin remains in self-imposed exile to avoid a two-year jail sentence for abuse of power).

This week, a PAD leader, Sondhi Limthongkul, warned of more protests, which have paralysed the country's politics and economy. "The PAD will return if another [Thaksin] proxy government is formed or anyone tries to amend the constitution or the law to whitewash some politicians or to subdue the monarch's royal authority."

If the PAD blockades parliament it's expected to lead to clashes with pro-government supporters known as the United Front for Democracy Against Dictatorship (UDD). A UDD leader, Veera Musikhapong, warned that his members were prepared to start a civil war if the PAD were successful in imposing an authoritarian government on the country.

The PAD wants the abolition of Thailand's one-man, one-vote electoral system so that it can be replaced by a 70 per cent appointed parliament. Thailand already has a half-appointed senate. The growing expectation in Thailand is that a shift to an authoritarian government could indeed happen.

"At the moment here it looks like it will be a very significant shift to the right," says Baker. "But the game isn't over yet. It's to me very much a fight over the future of Thailand."

Thailand is a major hub for manufacturing, including electronics, cars and car parts, and is a critical link in many multinational's supply chains. It's also among the world's largest exporters of rice and sugar. The paralysing cycle of political strife that has been going on since 2006, however, is severely damaging Thailand's economy and its ability to attract foreign direct investment and portfolio flows.

Geoff Morgan, business development manager South-East Asia for Clough, says the "biggest problem is uncertainty" for foreign investors, which had been caused by the politics. He says it is difficult for foreign executives to communicate to their head offices that Thailand should be a regional base. "We are always trying to promote our regional presence in our bigger organisation and obviously incidents such as the airport closures don't help that internal promotion."

Forecasters are now expecting Thailand's economy could slip into recession next year, and at best that its economy will grow by 2 per cent. "Everybody knows now that next year is going to be an absolute disaster — economically," says Baker. "An absolute disaster — huge numbers of bankruptcies, two to three million people unemployed and probably a shrinkage in GDP."

This chapter in Thailand's politics will go down as one of the most critical in its history.