

## Chapter 11

# THAILAND

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### Kingdom of Thailand

Area:	513,114 km <sup>2</sup>
Population:	64.76 million (July 2005)
Capital:	Bangkok
Language:	Thai, Lao, Chinese, Malay
Religion:	Theravada Buddhism and Islam
Government type:	Constitutional monarchy
Head of state:	King Bhumibol Adulyadej
Currency:	baht (US\$1 = 40.29 baht; 2005 average)
Fiscal year:	October–September

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# The Second Thaksin Administration: From Victory to Turn-around to Instability

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**A**t the beginning of 2005, the Thai Rak Thai Party won a landslide victory in the Thai general election and Prime Minister Thaksin set up the first one-party government in the political history of Thailand. Thaksin started his second administration on what was thought to be the strongest of foundations, but there soon occurred an accumulation of the problems inherent in the first administration, including the making of private profits by those close to the prime minister, the control of free speech in matters concerning the prime minister, and strong-arm political tactics. Taking 2005 as a whole, the government suffered mounting instability. After November 2005, political meetings calling for the resignation of the prime minister were held on a growing scale, even to point where Thaksin's position began to look precarious.

So far as the economy was concerned, the annual growth rate of GDP, at 4.5 percent, was lower than the 6.2 percent registered in 2004, suggesting that the boom was entering a stage of adjustment. The Thai economy was beset by three problems, namely the effects of the Indian Ocean tsunami at the end of 2004, an outbreak of avian influenza (bird flu), and a deterioration in law and order in the three southern border provinces. In the midst of these events, pressure was felt from rising world interest rates and from high crude oil prices, while the rise in private investment and private consumption began to falter. Meanwhile, the government took a number of measures that adversely affected the economy during the latter half of the year. These included decisions to liberalize light-oil prices and increase interest rates, the latter aimed at controlling inflation after a sharp hike in retail prices. As the mainstay of its economic recovery pol-

icy, the government in October embarked on a large-scale infrastructure development plan involving total funding of 1,700 billion baht.

As regards external relations, continued efforts were made to conclude bilateral trade agreements, a policy inherited from the first Thaksin administration. Moreover in 2005, the plan for nominating Deputy Prime Minister Surakiart as the next secretary general of the United Nations was taken up in earnest, and to this end an energetic top-level foreign policy was developed. In addition, there were increasingly frequent expressions of international concern over the administration's tough posture toward the problem of insurgency in the southern provinces, and the resultant violation of human rights by the Thaksin administration with respect to the Muslim population of those provinces, a matter to which the Thai government was anxious to respond. As regards the problem of the southern provinces, relations with Malaysia had been strained since 2004 and grew even worse in 2005.

## DOMESTIC POLITICS

In the February 2005 general election, the Thai Rak Thai Party (hereafter the TRT Party) won almost three quarters of the seats, and the second Thaksin administration got under way with the biggest majority in Thailand's political history. However before long, the problems that had dogged the first administration resurfaced. These included allegations of prime ministerial nepotism, suspicions that cabinet ministers were becoming embroiled in misconduct, questions over the purchase of media outlets, and apprehension concerning the tough measures being employed by the government to maintain law and order in the southern provinces. In Bangkok, intellectuals, the media and the middle class took the lead in expressing dissatisfaction with suspected scandals in the administration, and with the government's strong-arm tactics. The question of the "cronyism" that accompanied the long tenure of political power began to be widely discussed. In September, Sondhi Limthongkul, the founder of the newspaper *Phujadkarn*, emerged as an important critic of the administration. Sondhi hosted a regular live television talk show in Bangkok's Lumpini Park attacking the prime minister, a development that began to widen to take on the scale of a political convention.

### *The February General Election and the Historic Victory of the Thai Rak Thai Party*

In the House of Representatives election of February 6th, the main point of interest was how many votes had been won by the Thaksin administration following its first fixed four-year term of office. Moreover the election had a broader political significance, in that the Thaksin administration was the first fully operative government to hold power under the 1997 Constitution, whose aim was to establish political stability in Thailand, and the election was a test of whether or not the new system was an appropriate one.

In the contest for the general election, there were four parties putting forward more than 100 candidates. These were the TRT Party, the Democrat Party, the Chart Thai Party, and the newly formed Mahachan Party. In addition to these, there were 20 parties fielding some candidates for single-member constituencies, and 20 parties contesting proportional-representation constituencies.

Insofar as could be seen from the results of the 2004 election for the Governorship of Bangkok and from public opinion polls taken before and after September, the TRT Party's rate of support in the urban areas was languishing. But by the end of the year, thanks to the popularity of an extension of the poverty eradication program aimed at agricultural villages, and of the policy for strengthening national competitiveness aimed at urban voters, support for the government had recovered. On February 4, immediately before the election, Thaksin delivered a speech in the Sanam Luang Park and asked for support for the TRT Party, and he defended the record of his first administration in the following terms:

I have caused the economy to develop further. I have raised the GDP from 4.8 trillion baht to 6.5 trillion baht. I will see if I can raise it still further, to 9 trillion baht. I will increase the country's exports and further open up markets, and will resolve economic problems by doing away with the issue of poverty. I have put a stop to the IMF loan. I have transformed Thailand from a country concerned with debt payments into a nation that is a net lender.

The results of the election became clear following recounts in two places, ordered by the Election Commission, on February 20. The TRT Party emerged with a monopoly of the seats in 42 of the country's 75 prefectures (changwat) and had won a historic one-party victory, sweeping the board by winning 377 of the 500 seats at stake. As Table 11.1 shows,

**Table 11.1. 2005 General Election Results, by Party, Region, and Number of Seats Won**

	Single-member Constituency Seats					Total	Proportional Representation seats	Total Number of Seats
	Bangkok	Central Thailand	Northern Thailand	Southern Thailand	Northeast Thailand			
TRT Party	32	80	71	1	126	310 (200)	67 (48)	377 (248)
Democrat Party	4	7	5	52	2	70 (97)	26 (31)	96 (128)
Chart Thai Party	1	10	0	1	6	18 (35)	7 (6)	25 (41)
Mahachon Party	0	0	0	0	2	2 (-)	-	2 (-)
Others	-	-	-	-	-	0 (68)	0 (15)	0 (83)
<b>Total</b>	<b>37</b>	<b>97</b>	<b>76</b>	<b>54</b>	<b>136</b>	<b>400</b>	<b>100</b>	<b>500</b>

*Source:* Compiled by the author from newspaper reports based on information issued in February by the Election Commission.

*Note:* Figures in brackets show the number of those elected in the 2001 election.

the TRT party won 129 more seats than it had won in the previous election, and even in Bangkok, it had increased the number of seats by a greater total than had been predicted. By contrast, in the southern part of the country, TRT won only one seat and in particular, it won no seats at all in the three southern border provinces in which terror-related problems had been occurring. This shows the animosity toward the TRT among the people of the southern provinces.

The Democrat Party, which was the main opposition party, had stressed the need to put a brake on the strong-arm tactics of the Thaksin administration, and had aimed to win over 200 seats as a vote of no-confidence in the prime minister. However, in this election, the policy platform of the Democrats lacked a clear identity, and they failed, moreover, to extinguish from people's memories the unpopular economy policy of the former Chuan Leekpai administration. For these reasons, they lost 32 of the seats that they had won in the previous election. Banyat Bantadtan, the leader of the Democrats, took responsibility for the party's defeat and resigned, and in March, Abhisit Vejjajiva took over as new party leader. Meanwhile two powerful factions of the Chart Thai Party,

which had formed part of the coalition led by Thaksin, were pulled into the TRT, and for a while there were even rumors that the Chart Thai Party might merge with TRT. However, with the party leader Banharn Silpa-archa playing a central role, the party was reorganized, secured 25 seats in the election, and left the administration. Meanwhile the Mahachan Party, a new party formed mainly around Sanan Kachonprasat who had left the Democrats in 2004, had hoped to win over 20 seats, mainly in the north-east, but in the end it suffered a crushing defeat, winning only two seats.

In the first half of 2005, there were very few people who called into question the administration's stated intention to serve for more than 12 years. At the time of the inauguration of the second administration, Prime Minister Thaksin stated that in carrying out his second mandate, he would moderate the hard line that he had followed during his first administration and that he would listen to criticisms of his method of government. This change in direction was welcomed by the mass media and the intellectuals, but after two or three months, the honeymoon period was already over, and the problems inherent in the first administration soon revealed themselves again.

### *Suspicious of Corruption and the Cabinet Reshuffle*

The biggest criticism leveled at the first Thaksin administration was the allegation that the prime minister and his cabinet colleagues were using their positions to gain financially. In particular, it was said that the policies and projects of the first administration were bringing financial benefits to specific business families that were either placed within the administration, or had links with it. Similar suspicions surfaced in 2005, and concerned the construction of the Suvarnabhumi New Airport, a project that was being publicized throughout the entire nation. Confidence in the Thaksin administration took another blow.

On April 25th, the newspaper *Prachachart Thurakij* published an article on a scandal in which politicians and civil servants had been accepting bribes in the purchase of CTX (explosive detection) equipment for the new airport. The opposition presented a motion of no-confidence in the cabinet in which the main member responsible for the airport was Suriya Jungrunreangkit, the minister of transport, and on June 27th, the motion was debated in parliament. Since the TRT Party enjoyed an overwhelming majority in parliament, Suriya's survival of the vote was a foregone conclusion, but immediately afterwards, the results of the ABAC Poll, a public opinion poll held by Assumption University, were made known. These

showed that 56 percent of the respondents had no confidence in Transport Minister Suriya, while 16 percent had confidence in him and 28 percent were undecided, those having no confidence in the minister thus being in a clear majority. Moreover within the TRT Party, opposition to the prime minister began to surface and the party's chief adviser, Sano Thiantong, objected to the view that the vote on this no-confidence motion was binding, and on the day of the debate declared himself absent from parliament on sick leave. On the following day, Sano was deprived of his post in the party.

The next blow to strike the TRT was an allegation of corruption concerning Thaksin's natural sister, Yaowaret. Alongkorn Ponlatur, deputy leader of the Democrat Party, declared that he suspected that Yaowaret was guilty of receiving money from companies making a bid for managing the car parks and supplying furniture at the new airport. In July, he registered a complaint in connection with this matter with the police. Problems relating to the airport apart, in June 2005 Picnic Corporation, a gas and engineering company run by the younger brother of Suriya Lapvisuthisin, the deputy minister of commerce, was accused of illegally window-dressing its financial results, and the said deputy minister had no alternative but to resign. This series of corruption allegations conveyed the impression of a government lacking in transparency, in which the most important posts were taken up by people from the business world, and criticisms of the way in which members of the administration were guided by the profit motive began to grow in strength.

In an attempt to fend off the blows falling on the administration, in August Prime Minister Thaksin carried out a reshuffle of his cabinet, only five months after the inauguration of the second administration. The problematic transport minister, Suriya, was moved sideways to become deputy prime minister as well as minister for industry, and some 19 cabinet posts changed hands in a reshuffle that included the arrival of three new ministers. However the dropping of Suriya, requested by the opposition, did not come to pass, and the restructured cabinet included two new members who were close to the prime minister and his wife, namely Police General Chainan Charoensiri and Air Chief Marshal Kongsak Vantana. The image of the administration remained unreformed.

**Table 11.2. Number of Incidents in the Five Southern Provinces of Thailand (January to July 2005)**

	<i>No. of Incidents</i>
Planting and throwing of bombs	249
Discovery of dangerous substances and explosives	76
Arson and fire-related incidents	611
Armed attacks and shootings of officials and authorities	504
Armed attacks and shootings of citizens	660
Armed attacks and shootings of priests and monks	7
Bullet injuries	56
Kidnappings and abductions	3
Robbery of guns and arms	30
Damage to property	48
Burglaries	14
Total	2,258

*Source:* Materials from Southern Border Provinces Peace Building Command (February 2006).

*Note:* The five southern provinces comprise the “three southern provinces,” namely, Pattani, Yala, and Narathiwat, together with Songkhla and Satun.

### ***The Problem of Insurgency in the Southern Border Provinces: A Deepening Quagmire***

The government’s hard-line reaction to the unrest in the southern border provinces was another factor that weakened support for the administration. Prime Minister Thaksin, in radio addresses given to the people on December 17, 2004 and before the election, touched on the problem of attacks by armed Islamic groups and showed confidence in the next administration’s ability to expose criminal groups. Moreover at the time of the inauguration of the second administration, the government set up a National Reconciliation Commission, aimed at achieving a reconciliation with the southern Muslims. This development had some appeal, in that it suggested that the administration might be groping toward a policy of peaceful settlement of the problem.

However in reality, during 2005 progress had still to be made in the identification and capture of criminal groups, while terrorist incidents increased in frequency. Moreover the geographical incidence of terrorist attacks spread from the border provinces in which trouble had occurred hitherto (Pattani, Yala, and Narathiwat) into the two neighbouring provinces of Songkhla and Satun. As is shown in Tables 11.2 and 11.3,

Table 11.3. Changes in the Number of People Killed and Wounded in the Five Southern Border Provinces of Thailand (Calendar Year 2004; January to July inclusive 2005)

	2004 (Calendar Year)		2005 (Jan. to July inclusive)	
	Killed	Wounded	Killed	Wounded
Army and police personnel	90	194	30	136
Civilian officials	30	24	22	37
Volunteer corps members	14	26	6	15
Local politicians	7	7	15	6
Village headmen and assistant officials	25	19	12	26
Monks and trainee monks	4	1	0	1
Ordinary civilians	212	305	263	451
Total	382	577	348	672

Source: Same as for Table 11.2.

Note: See Table 11.2.

from January to July 2005 inclusive, there were many terrorist attacks on civilian targets. Deaths related to terrorist attacks in the southern provinces increased from 382 for the whole of 2004 to 348 in the first half of 2005 (584 for the whole year) while the number of those wounded increased dramatically from 577 for the whole of 2004 to 672 in the first half of 2005 (1,060 for the whole year). This situation led the Thaksin administration to resume its hard-line policy from July 2005 onward, a decision that caused a fiercely hostile swing against the government in public opinion, while in the three southern provinces, a state of emergency was proclaimed. However there was no restoration of law and order and these steps invited criticism from the international community.

The insurgency in the south consisted of the following kinds of violent activity: (1) large-scale terrorist incidents, tantamount to organized crime, carried out by Islamic terrorist groups; (2) everyday acts of violence targeted against civilians; (3) intimidation and violence directed at Muslims who were cooperating with the government; and (4) hostility toward the army and the police at local community level.

Incidents of large-scale terrorism included a series of bombings, of a department store, of the airport and of other targets in Hat Yai in Songkhla Province on April 3, and the destruction of an electricity power transformer in Yala Province, accompanied by simultaneous terrorist incidents, on July 14. In addition to these, on October 26 there were attacks

at 63 places in the three southern border provinces by terrorists, partly aimed at the theft of arms. So far as everyday acts of violence were concerned, attacks began to be launched against places that hitherto had been considered out-of-bounds. New targets of this sort included a Buddhist monastery and local higher education institutions, places that were symbolic of “Thai-ness.”

Intimidation of and violence against Muslims took the form of retaliation against Muslims who had given information on criminals to the Thai authorities. Moreover, in early August, shopkeepers in the three southern border provinces were warned by an Islamic fundamentalist sect not to open their premises on Fridays, and attacks were launched on shopkeepers who refused to heed the warning. Muslim community leaders and the prime minister asked shopkeepers to run their businesses as usual, arguing that there is no need to obey a prohibition on working that comes from those with no Islamic doctrinal authority, but anxious about their own safety, the shopkeepers observed voluntary restraints on opening their premises. Hostility toward the authorities permeated throughout Muslim communities as a result of the security policies of the army and the police, and in consequence of the excessive nature of searches, as well as of mistaken arrests and violence by the authorities. Symbolic of the hostility at local level was the capture and beating to death, in a village of Rangae district in Narathiwat on 20 September 2005, of two Thai Marine soldiers, whose faces were well known throughout the rural communities of the surrounding area. This event shocked the whole of Thailand.

In the midst of the unrest, Deputy Prime Minister Wissanu Krea-ngam announced that an Emergency Decree on Public Administration in Emergency Situation, B.E. 2548 (2005), be issued on July 16, applicable to the three southern provinces for a period of three months (it was renewed in the following October). In November, the state of emergency was extended to Songkhla Province. The emergency decree concentrated a great deal of authority in the hands of the prime minister, and this caused a fierce reaction in public opinion, beginning with the opposition parties, the mass media, and the intellectuals. On 28 July, Prime Minister Thaksin appeared on television with Anand Panyarachun, a former prime minister and chairman of the National Reconciliation Commission, and was obliged to explain that the proclamation of a state of emergency did not signify an abandonment of peaceful approaches, but was a measure taken to protect the civilian population from violence.

Moreover, as an initiative toward eliminating everyday acts of terror, Queen Sirikit, speaking at the end of October, argued for the need to organize community-level police groups, while training ordinary citizens in the use of weapons of self-defense was begun.

### ***Doubts over Media Acquisition and the Control of Mass Communications***

The Thaksin administration exerts control over media that are critical of it, and is known for its containment of the potential for criticism. Following the emergence of the Thaksin administration, Thai journalism, which boasted a high level of freedom even by the liberal standards of Southeast Asia of the 1990s, imposed on itself voluntary self-restraint as regards criticism of the government, and among intellectuals critical of the government, this restraint on the freedom of information became a target of attack.

A variety of methods were reportedly used by the TRT Party and Prime Minister Thaksin to control the media. Steps that were explicitly designed for media control included the purchase of a 40 percent share in the television company iTV and the banning of printed media such as the *Far Eastern Economic Review* (January 10, 2002) and *The Economist* (March 10, 2002). Not only were actions for libel brought against NGO activists and others (and on July 16, 2003, in the civil and criminal courts, against Ms. Supinya Klangnarong over an article in *Thai Post*) but more indirect means, too, were practiced as a means of control. These included investigation into the finances of newspaper and television staff who had been critical of the government, the suspension of documentary review programs with content critical of the government, and the reduction of advertising fees paid by public corporations.

On September 12, 2005, the prime minister and his close friend Phaiboon Damrongchaitham, founder of the entertainment company GMM Grammy Inc., announced that it was the intention of GMM Media, a subsidiary of Grammy, to acquire a large number of shares in two big newspaper companies, namely Matichon Company and Post Publishing Public Company Ltd. GMM Media proceeded to buy enough stock on September 12 and 13 to become the major shareholder of both the target companies, and on September 13 announced that its aim was to give its business group a comprehensive range of interests including newspaper businesses making a stable revenue. However, there was strong public opposition to the takeover led by citizens' groups, intellectuals, and

members of the Upper House, all of whom were alarmed at the purchase of leading newspapers of well-established quality and the implications of this purchase for the freedom of information in Thailand. The outcome was that on September 16, GMM media changed its plans and reduced its holdings in Matichon to 20 percent by selling shares back to the newspaper company. It was supposed by most of the media that the attempted purchase of the newspapers was based on political motives, and stemmed from the deep personal connections between the prime minister and Phai boon. This incident encapsulated one kind of information control being carried out under the TRT administration. The repercussions of the affair were very substantial and it again exposed to criticism the administration's intervention in the media, and its authoritarian character generally.

### *The Anti-Thaksin Movement of Sondhi Limthongkul*

In the midst of these various developments, the administration's control of the media suffered a setback in the form of a fierce antigovernment movement which ultimately wrought great changes. On September 15, the broadcast on Channel 9 of the current affairs review programme "*Muang Thai Rai Sapda*" (Thailand weekly) was cancelled on the ground that it seemed to cast doubt on the prime minister's loyalty toward the King. Sondhi Limthongkul, the anchorman of the programme and the founder of the newspaper *Phujadkarn*, thereupon moved to Bangkok's Lumpini Park, where he assembled an audience for a live talk show. He engaged in continual criticism of the prime minister during the show, giving particular attention to the administration's strong-arm tactics, and airing the suspicions that the prime minister's family was abusing its political power. Moreover he began his attack by accusing the prime minister of having threatened the authority of the King. This claim was conveyed to every part of Thailand via the media outlets and cable television networks belonging to the Phujadkarn group, and had nationwide repercussions.

Instead of arguing against the accusations, Prime Minister Thaksin launched a large number of libel suits against Sondhi. For his part, Sondhi emphasised his royalist stance, ignored warnings that he was guilty of *lèse majesté* toward the King, and appealed to the masses, under the slogan "Let's return power from the prime minister to the King." By November, the crowds attending the live show in Lumpini Park had grown to tens of thousands. With the addition of a teachers' movement which shared anti-Thaksin sentiments, on December 9 the crowd in Lumpini Park reached

80,000. However, there were many who expressed doubts about Sondhi, who had formerly been a supporter of the Thaksin administration, and there were also many newspapers which suggested that behind Sondhi's public stance lay a feud between him and Thaksin, marked by personal grudges, and that Sondhi was also driven by business motives.

On the evening of December 4, the day before his birthday, the King gave a speech in which he told the prime minister to be more tolerant of criticism, and on December 6, Thaksin, in an attempt to cool things down, withdrew his defamation lawsuits against Sondhi. Following this, on December 23, the crowd gathered in Lumpini Park shrank to about 10,000, and for a while people began to think that the anti-Thaksin movement had come to a premature end.

In the end, the decisive event that changed matters was the sale of shares in SHIN Corporation, revealed in January 2006. On January 23, 2006, it was announced that SHIN Corporation had sold those of its shares that were owned by the Thaksin family (49.6 percent of the total amount of SHIN Corporation shares) to Temasek Holdings of Singapore, an investment company connected with the Singapore government (*Bangkok Post*, January 24, 2006). The value of the shares sold amounted to 73.3 billion baht, which made the transaction one of the biggest merger-and-acquisition deals ever carried out in the communications business field in Southeast Asia. The prime minister said, "This is an ultimate step taken after family discussion, and may be seen as one of the best ways for dispelling doubts about the family business." However immediately after the sale, criticisms were expressed firstly over the fact that the huge profits obtained from the sale were not subject to tax, and secondly to the effect that the sale of satellite communications enterprises and mobile telephone businesses, both categories being related to the national good, was "the act of a traitor."

In these circumstances, the anti-Thaksin movement spread very rapidly beyond the gathering that had been led by Sondhi, with organizers of citizens' groups and political activists such as Chamlong Srimuang joining the ranks of the movement's leadership. During February 2006, the membership of the anti-Thaksin movement, though centered in the capital region, spread quickly to include more and more people in every part of Thailand. The prime minister has rejected demands from the anti-Thaksin movement for his resignation, and has insisted that "this administration has won the support of the whole nation by way of a general election" and "the only juncture that would persuade me to leave this

administration would be if it were the will of the King, who is the head of state.” On February 24, 2006, the House of Representatives was dissolved, and the prime minister began an election campaign determined to win power once more after the election of April 2. Whether or not Prime Minister Thaksin can overcome the crisis and retain his position depends on the outcome of the election, on the future development of the anti-Thaksin movement, and on the evolving relationship between him and the conventional Thai elite which included individuals such as Prem Tinsulanonda, Privy Council president, who received petitions from the anti-Thaksin movement and intellectuals intending at all costs to prevent Thaksin serving again as prime minister.

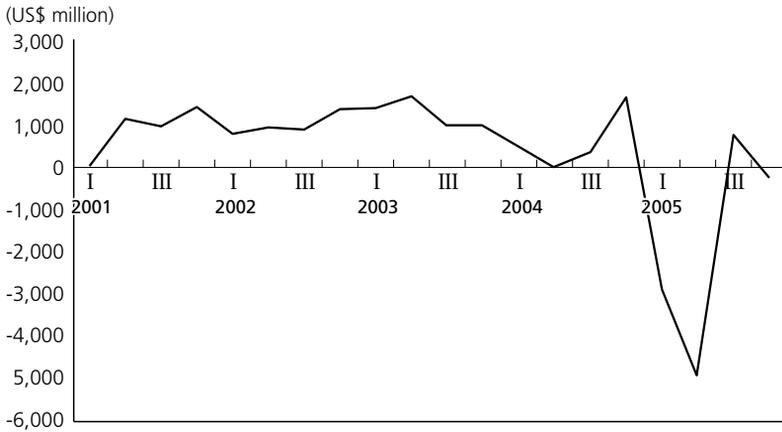
## ECONOMY

According to a report of the National Economic and Social Development Board (hereafter NESDB), published on March 6, 2006, the real annual rate of GDP growth (year-on-year) in 2005 was 4.5 percent, below the 6.2 percent registered in 2004. This figure was below the government’s estimate given at the start of the year (6.1 percent, given by the Finance Ministry in January) and below the NESDB’s estimate, given in March, of between 5.5 percent and 6.5 percent, and gave the impression that the economic boom that had been underway since 2002 had entered an adjustment phase.

If the GDP growth rate is examined on a quarter-by-quarter basis, growth in the first quarter (year-on-year) stayed at 3.2 percent, but picked up in the second to fourth quarters, registering figures of 4.6 percent, 5.3 percent, and 4.7 percent, respectively. From the third quarter onward, there were optimistic signs, including an improvement in the balance of trade, buoyancy among the exporting industries, and a recovery in tourist receipts.

In 2005, various factors came together to depress the growth rate of the economy. These included the reappearance of the risk factor of avian influenza, an insurgency in the three southern border provinces, a sharp hike in oil prices, and a rise in interest rates, as well as natural disasters such as the Indian Ocean tsunami, and drought conditions and flooding within Thailand. All of these factors prompted a rise in inflation. Among them, the rise in oil prices had a particularly strong effect, and in the second half of 2005, the acceleration of inflation and an increase in interest

Figure 11.1. Changes in Thailand's Trade Balance, 2001–5



Source: Compiled from Bank of Thailand statistics.

rates caused a slowdown in the growth of private consumption and private investment. The private consumption index for 2005 stagnated, with a rise of only 0.6 percent (the increase in 2004 was 3.9 percent) and sales of durable and nondurable consumer goods were adversely affected. The number of automobiles sold, cars being typical of consumer products generally, fell by 11.2 percent. However commercial vehicle sales increased over the previous year by 12.4 percent. The private investment index, meanwhile, showed an increase of 8.6 percent, down from the 10.0 percent registered in 2004, and whereas capital investment continued to rise without interruption, the increase in construction investment began to decelerate markedly.

The 2005 trade balance went into deficit for the first time since 1997, the size of the deficit being US\$8,578 million (the 2004 balance registered a surplus of US\$1,460 million. See Figure 11.1). Moreover the negative trade balance dragged the current account into a deficit of US\$3,714 million.

So far as the individual sectors of GDP were concerned, agriculture, adversely affected by a long-lasting drought, showed negative rates of change of -8.7 percent in the first quarter and 4.2 percent in the second. In the third and fourth quarters, agriculture's growth rate fell to 4.4 percent and -0.2 percent, respectively. During the second to the fourth quarters inclusive, the manufacturing sector held firm, showing growth rates of 6.5 percent, 6.4 percent, and 6.0 percent, respectively. The construc-

tion sector, by contrast, suffered from the effects of high interest rates, and its growth rates contracted sharply, from 9.6 percent in the second quarter to 2.9 percent and 3.0 percent in the third and fourth quarters, respectively. The index of manufacturing output stood at 155.4 (the year 2000 = 100), an increase of 9.2 percent over the previous year, but down on the 11.5 increase rate registered in 2004. According to the Bank of Thailand, industry that was geared to domestic demand showed a slower growth rate. Whereas industries that were over 60 percent reliant on exports enjoyed annual growth rates that were in double figures (28.8 percent in the third quarter), industries less than 30 percent reliant on exports showed negative growth rates from the third quarter. The types of industry that enjoyed high growth rates were those associated with exports, and included electronics, automobiles, petrochemicals, processed marine products, and canned vegetables and fruit. By contrast, textiles, leather, electrical appliances, and iron and steel all showed lower growth rates. However, capacity utilization in 2005 maintained a high rate of 72.6 percent and was particularly high in industries such as paper and paper products and constructional materials. The Indian Ocean tsunami, which occurred at the end of 2004, adversely affected tourism earnings (international balance based), which shrank by 6.2 percent year-on-year in the first quarter, but which rebounded to register 4.4 percent growth in the second quarter.

Thailand's export performance remained firm, with the value of exports for the year amounting to US\$109.2 billion, a rise of 15.1 percent over 2004. So far as the recipients of Thailand's exports were concerned, as in 2004 the top three destinations were the United States, Japan, and China. The share of the United States (15.4 percent of Thai exports) and Japan (13.7 percent) remained little changed from 2004 (United States 16.4 percent, Japan 14.0 percent) but the share of Thai exports taken by China increased, from 7.4 percent in 2004 to 8.3 percent in 2005, equivalent to a year-on-year increase rate of 29 percent. Exports such as computers and computer parts, motor vehicles and motor vehicle parts, and petrochemical products all did well, but exports of agro-industry products, and agricultural commodities such as rice, sugar, tapioca, and refrigerated poultry meat all shrank from the previous year's levels.

Imports showed an increase in value of 26 percent to US\$118.2 billion. Crude oil prices continued at a high level, and oil imports were affected by buying in anticipation of the government's abolition of the subsidy on light-oil prices. The outcome was that oil imports increased

substantially. Steel and gold imports also increased. So far as the sources of Thailand's imports were concerned, the chief suppliers were Japan (22.1 percent of Thai imports), China (9.4 percent), and the United States (7.4 percent). Imports from China increased by 37 percent over the 2004 level.

During 2005, there was a rally in foreign direct investment. According to the Thai Board of Investment (BOI), in 2005 the number of cases of foreign direct investment amounted to 1,196 (1,071 in 2004) and the value of the investments was 465 billion baht (445.2 billion baht in 2004). In fact in 2005, foreign investment reached its highest level for four years. Japan was the most important source of foreign direct investment, with 354 cases or 37 percent of the entire value, followed by Malaysia (36 cases, 4.4 percent) and Taiwan (57 cases, 3.5 percent).

The capital account showed a marked improvement over the previous year, registering a surplus of US\$7.5 billion. Overseas liabilities increased from US\$51.1 billion at the end of 2004 to US\$51.4 billion at the end of 2005, but the inward flow of foreign capital increased from US\$49.8 billion in 2004 to US\$52.0 billion in 2005, ensuring maintenance of external stability.

The increase in consumer prices in 2005 gathered pace in the second half of the year. In particular, liberalization of light-oil prices (see below) had a sharp impact on prices, and for the year as a whole, the inflation rate was 4.5 percent (2.7 percent in 2004). In the latter half of the year, the inflation rate was especially high, reaching 6.2 percent in October.

Partly because of the central bank's concern to restrain inflation, and partly because the United States raised interest rates on federal funds, official interest rates in Thailand (14-day repo rates) were raised on six occasions during the year. Because of this, the central bank's base rate increased from 2.0 percent in January 2005 to 4.0 percent by the end of the year.

### *Toward Abolition of the Light-oil Subsidy*

On January 10, 2004, in an attempt to ameliorate the effects of high world oil prices, the Thai government introduced a price maintenance policy which imposed an upper limit on domestic prices of gasoline and light oil. The difference between the real price and the official price was supposed to be made good by way of an oil fund, and it was hoped that the resultant deficit would be eliminated by the difference between the real oil price and the maintained domestic oil price that would emerge after world oil

prices had fallen. However world oil prices continued to rise, to a level far beyond what the government had envisaged, and worried about the financial problems stemming from the swift enlargement of the trade deficit and the accumulating deficit in the oil fund, in October 2004 the government halted the subsidy on gasoline prices. But the subsidy on the price of light oil, an important commodity for many households, was continued. However on May 31, the cabinet decided to abolish the subsidy on light oil after it had run for another ten-month period, and then at a further meeting on July 12, decided to bring forward the date to July 13. At the same time, the Ministry of Energy recommended the use of alternative types of energy (natural gas, gasohol) and promoted a reduction in the amount of time needed to get light oil on to the market. But because of the length of the period during which light oil had been subsidized, reduction in consumption took some time, and the huge trade deficit and the accumulated deficit in the oil fund attracted much criticism.

### *Megaprojects as a Means of Stimulating New Economic Growth*

The first Thaksin administration followed a plan which delivered growth based on both internal and external demand, thus maintaining a prolongation of the economic boom. One of the pillars of the expansion of internal demand was the populist policy, targeted at low income groups, of raising purchasing power and of facilitating the exploitation of business opportunities. However the populist policies of the first administration eventually lost their novelty, and the second administration placed the emphasis on implementing existing pledges. Moreover anxieties over the increase in the government's liabilities as well as doubts over the overall investment effect of populist policies, brought about a narrowing in the options available to the government.

To stimulate the economy, the government on December 7 decided to raise the salaries of civil servants by 5 percent (with effect from October 1) and raised the minimum wage in Bangkok (with effect from August 1). The effect of these measures was however limited. The policy that the second administration pinned its hopes on as a means of reviving the economic boom was the promotion of giant infrastructure projects, the construction of which had been agreed under the first administration.

The cabinet formally agreed on the funds needed for the public works program at its meeting held at Payao on June 14, undertaking to begin the works in October 2005. Table 11.4 shows the investment plan as first pub-

**Table 11.4. The Mega-Project Plan: Planned Investment in Seven Categories (as published on 14 June 2005)**

	(Billion baht)						
	2005	2006	2007	2008	2009	2005–9	Total(%)
Mass transit facilities	1.13	46.61	98.06	143.64	133.99	423.43	25
Transport	34.72	48.42	81.40	80.24	83.83	328.61	19
Housing	14.81	54.32	64.06	57.18	23.43	213.80	12
Water supply	0.00	38.12	53.96	53.96	53.96	200.00	12
Education	0.20	13.98	27.43	27.43	27.38	96.43	6
Public health facilities	1.60	12.00	27.31	27.31	26.27	96.39	6
Other	14.83	41.90	96.40	96.40	115.57	342.09	20
Total	67.29	255.35	486.16	486.16	464.43	1,700.75	100

Source: *Bangkok Post*, June 15, 2005 and other newspaper articles.

lished on June 14, and the amounts of funding by main categories of expenditure (the contents of this table incorporate some corrections with some elasticity according to circumstances). Of the seven categories listed, spending on facilities for large-scale transportation projects constitutes the biggest single share, and the total spending under this category includes a plan to invest on a 277.41 km railway network in the Bangkok metropolitan region. In addition, and with the aim of lowering transport costs to improve competitiveness, investment is planned on roads, motorways, developments surrounding the international airport, the ordering of new aircraft, and the development of deep sea harbors. As regards the housing sector, the proposals incorporate the provision of 450,000 new housing units for lower-paid workers under the “*ua atorn*” (we care) housing plan.

The Ministry of Finance has calculated that the stimulus to the economy provided by government spending and private investment under the megaprojects plan will add 0.5 percent to GDP growth rates over a five-year period. On the other hand, the plan calls for imports of capital and equipment which will adversely affect the current account, and if the funding for the plan cannot be secured on favorable terms from within Thailand, loans will have to be raised from domestic and overseas sources, a possibility that gives grounds for concern. As a means of promoting the megaproject plan, on December 14 Prime Minister Thaksin invited ambassadors and representatives of international agencies to the prime minister’s residence and announced to them the details of the “the Kingdom of Thailand Modernization Framework,” abbreviated to KTMF. On December 26, he invited 1,300 representatives from leading foreign

companies and investment firms to the prime minister's residence and explained the significance of KTMF in the following terms: K stands for knowledge, T stands for technology, M for management, and F for finance. At the same time, he invited his guests to participate actively in the execution of the development plan. However the megaproject plan, spanning as it did such a very wide field, continued to contain many elements that were unclear. Even the business plans for the development of individual routes for large-scale transportation, and the modes of transport to be involved lacked the necessary detail. In the confused political situation that began to develop after the end of 2005, the question of whether or not the plan for the much-debated megaprojects will survive without alteration depends on the direction that the present administration is likely to take, and on its future priorities.

### ***Reform of State Enterprises: The Court Judgment Banning the Privatization of EGAT***

As a step toward reforming Thailand's state enterprises, Prime Minister Thaksin promoted the listing of shares in the hitherto nationalized companies on the stock exchange, and put forward six companies as candidates for privatization. These included AOT (Airports of Thailand), PTT (Petroleum Authority of Thailand), and MCOT (Mass Communications Organization of Thailand). The largest of the plans put forward in 2005 by the government in its state enterprise reform program was however the plan for privatizing EGAT (Electricity Generating Authority of Thailand). During 2004, the EGAT labor union strongly criticized the plan to privatize EGAT and developed a movement to oppose it, describing the initiative as "the stripping of a national asset" and "privatization tied to a rise in electricity prices," and the plan was temporarily shelved. However after the landslide victory in the February general election, the government side issued new guidelines and amended its policy to one that allows the state to keep over 75 percent of the equity, thus making it easy to resuscitate the plan for privatizing EGAT at some future date. On April 21, the State Enterprise Policy Committee approved a plan for realizing the privatization of EGAT by selling 25 percent of the company's shares by November 2005, and this proposal was endorsed by the cabinet on May 10. The EGAT labor union was constrained in trying to repeat its protest movement of the previous year by a promise from Kraisi Karnasuta, governor of EGAT, to the effect that he would treat the company's labor force sympathetically following the listing of the company.

Meanwhile eleven groups, including the Confederation of Consumer Organizations of Thailand (CCOT) filed a petition with the Administrative Court demanding that the two decrees for the listing of EGAT be withdrawn and that the offer of shares in the company be prohibited. On November 15, immediately before the day on which it was planned to list the company's shares and contrary to what most people had expected, the Supreme Administrative Court ruled that the offer of shares be suspended. This decision allowed the Supreme Administrative Court to proceed with the hearing in due course, and the hearing itself was eventually continued. But the government's plan to privatize Thailand's biggest state enterprise with the year was in reality postponed.

## EXTERNAL RELATIONS

So far as Thailand's external relations were concerned, negotiations with several countries for tying up free trade agreements were vigorously promoted, driven forward by the strong personal commitment of the prime minister. Moreover the prime minister engaged in some spectacular personal diplomacy not just with Asian countries, but with European, Middle Eastern, and African nations, in connection with the candidacy of his deputy, Surakiart Sathirathai, for the post of secretary-general of the United Nations. Thaksin involved himself in overseas travel on a greater scale than in a normal year, and managed to visit 17 countries, while the leaders of 16 countries visited Thailand. In 2005 in particular, Thailand was energetically engaged in foreign policy interchanges with countries belonging to the Asian Cooperation Dialogue (ACD), an organization for regional cooperation with the Middle East and Asia. In addition, in a year in which relations with Africa were being promoted, the prime minister visited several African countries, while African leaders visited Thailand.

### *Beginnings of FTA Negotiations with Main Trade Partners*

The Thaksin administration began negotiations for tying up free trade agreements with New Zealand, Peru, Japan, and the United States in 2004. As regards these negotiations, a Close Economic Partnership with New Zealand was signed in Bangkok on April 19, 2005, and came into effect on July 1. The foreign ministries of Thailand and Peru signed a protocol to accelerate trade liberalization on November 19 at the APEC meeting held

at Pusan, South Korea, the prime ministers of both countries being present at the signing ceremony.

The trade talks with Japan had to span a very wide field, Japan being Thailand's main trade partner, and because there were very many vitally important areas which needed agreement domestically, the negotiations became very long drawn out. The Japan-Thailand Economic Partnership Agreement was agreed in August in outline form between Minister of Economy, Trade and Industry Shoichi Nakagawa and Deputy Prime Minister Somkid Jatusripitak and it was planned for the prime ministers of both countries to sign the agreement during Thaksin's planned visit to Tokyo in April 2006. By contrast, the negotiations with the United States proved difficult, and it seemed that they would be even more long drawn out than those with Japan had been. In 2005, the negotiations with the United States entered a fifth round of talks, but the fields under discussion included difficult areas such as intellectual property rights, the environment, and labor issues and moreover, Thailand was put under pressure to liberalize trade in services, including finance and telecommunications, a matter that Thailand found highly problematic. Every time the negotiators met for talks, Thai citizens' groups and other protestors gathered close to the building where the talks were being held, and a large-scale protest movement developed. Voices of criticism were raised ever more strongly over the likely lack of advantage to Thailand of a trade liberalization agreement, as well as over the failure to provide any opportunity for revealing information on the progress of the proceedings and the absence of any attempt to explain the purpose of the negotiations to the people of Thailand.

In May 2005, negotiations for entering a free trade agreement were begun with EFTA (the European Free Trade Area) while on November 20, agreement was reached on a cooperation framework for BIMSTEC (the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation). It was expected that this agreement would be formally signed in January 2006 and would take effect from July of that year.

### ***The Plan for Putting Forward a Candidate for the Post of Secretary-General of the United Nations***

The Thaksin administration, in pursuing a foreign policy intended to raise Thailand's international standing, had as one of its aims the promotion of Surakiart Sathirathai, the deputy prime minister, as a candidate for the appointment to the post of secretary-general of the United Nations, a cam-

paign that was formally launched in March 2004 when Surakiart was foreign minister. After Surakiart's candidature had been announced, things went according to plan, with Thailand gaining the support of ASEAN and China, and in 2005, Thaksin took every diplomatic opportunity (including a round of visits to the United States and Europe, and visits to Africa and the Middle East) to gain support for the Surakiart bid. However in 2005, other Asian countries, including South Korea, came up with powerful candidates of their own and in September, the former WTO secretary-general Supachai Panitchpakdi, a Thai who was a former Democrat Party member of parliament, assumed office as the new secretary-general of UNCTAD. These developments altered the context of the Surakiart candidature, and on December 21, Kasit Piromya, the former ambassador of Thailand to the United States, speaking in Thailand said that without the support of America, backing for the candidature of Surakiart would be a matter of concern. The Thai mass media also tended to see the candidature as a difficult prospect. Nevertheless, on December 22, the Thai Foreign Ministry stated that it would continue with the campaign to back Surakiart for the post of UN secretary-general.

### *The Pressure of World Opinion over the Southern Problem*

World opinion has exerted pressure on Thailand over issues that have been seen as problems of human rights violations by the Thai authorities, examples being the incidents of mass killing at the Krue Se mosque on April 28, 2004, and at Tak Bai on October 25, and the Thai government's reaction to the southern problem.

Abdullah Badawi, the Malaysian prime minister and chairman of the Organization of Islamic Conferences (OIC), speaking on February 19 during his visit to Saudi Arabia, expressed his anxiety over "the permeation of southern Thailand by incidents of violence directed against Muslims" and indicated the need for an impartial investigation into the series of incidents, and, despite the election results, the need for a development of southern Thailand consonant with fair and globally recognized objectives. Moreover on March 1, the US State Department published a report on human rights violations in southern Thailand which contained details of the mass killings of Muslims and the disappearance of Somchai Neelapaijit, a lawyer representing Muslim defendants in southern Thailand. The Thai government, driven by the need to dispel the "misunderstanding" that was spreading throughout the world, sent a delegate to the OIC conference that was held in Yemen between June 28 and 30,

2005, dispatched a government representative to the meeting of the UN Human Rights Commission held in Geneva on July 19 and 20, and asked that an understanding of the reports on the incidents at Krue Se and Tak Bai be put in the context of the ongoing terrorist situation in the south of the country. Following this, in mid-October the new secretary-general of the OIC made clear his anxiety over the mounting violence against Muslims in southern Thailand. Prime Minister Thaksin's rebuttal of this statement (given on October 20) and of similar pronouncements heightened the intensity of world disapproval of the Thai administration's reaction to the problem. In the absence of any sign of a resolution of the deteriorating situation as regards law and order in the south, international pressure over the problem of southern Thailand remains the biggest weakness enveloping Thailand's foreign policy.

### *Worsening Relations with Malaysia*

As regards Thailand's relations with neighboring countries, following the political change in Myanmar in 2004, the close cooperation between Thailand and Myanmar, helped by the strong personal friendship between Thaksin and former prime minister Khin Nyunt (overthrown after the political changes), was temporarily shelved, save for projects such as the plan to build a dam across the Salween river.

Relations with Malaysia, the country that borders the southern Thai provinces, deteriorated from 2004 onward, and ended in a state of friction that was beyond repair, the cause being the treatment of Muslims in the southern provinces of Thailand. The Thai side saw the conflict in terms of the principle of the need to hold on to their territory in the context of problems with terrorism, but Mahathir Mohammed, the former prime minister of Malaysia, jangled nerves among the Thais when he referred to the granting of autonomy to southern Thailand. These words were rejected by the Thai side as interference in its domestic affairs and only served to make the situation more complicated still.

In the midst of these developments, on August 30, 131 people from Narathiwat Province fled over the border and took refuge in Malaysia, a development that turned into an international incident involving the office of the UN High Commissioner for Refugees (UNHCR). The Thai government asked the Malaysian side to hand over the people who had fled, but the Malaysian authorities refused, saying that among the people who had crossed the border were Malaysian nationals who were complaining about being investigated by the Thai police and army, and about

the harm that they had suffered because of the deterioration of law and order. Immediately after this incident, the foreign ministers of Thailand and Malaysia opened up a verbal war of accusations of blame against each other, and relations between the two countries fell to a new low. Inside Malaysia, Islamic groups mounted demonstrations protesting against the rough treatment of Muslims in southern Thailand, and boycotts of Thai manufactured goods were held. On December 8, the Malaysian side handed over to the Thai government Hamzah bin Met Saud, a person suspected of having been involved in terrorist incidents in southern Thailand, and in respect of whom an arrest warrant had been issued in Thailand, but the return of the other people who had fled to Malaysia was left to the voluntary will of the individuals concerned. It was hoped that in 2006, there would be a continuation of similar cooperation between the two countries on matters pending between them.

## ISSUES IN 2006

The main point of interest in early 2006 was the widening scale of the anti-Thaksin movement following the revelation on January 23 of the sale by the prime minister's family of the shares that they had held in SHIN Corporation. A switch had occurred since Thaksin's historic victory in the general election of 2005, and for the first time since the democratization of politics in 1992, political meetings attracting 80,000 to 100,000 people began to be held in Bangkok. Prime Minister Thaksin, whose position was now more at risk than at any other time since his administration came to power in 2001, announced the dissolution of the Lower House in the evening of February 24, and declared that a general election would be held early in April. However, in the present-day confrontational structure of Thai politics, in which the picking and choosing of policies varies as between the cities and the countryside, even if the TRT Party were to be reelected on the strength of rural support, there would be no way of eradicating the deeply rooted distrust of the prime minister himself among urban voters, and there would be little scope among the city-based mass media and intellectuals for supporting a reinstatement of Thaksin. In fact after February 26, the anti-Thaksin movement showed a trend toward the holding of large meetings calling for the prime minister's resignation, regardless of the dissolution of parliament and the decision to call an election. Moreover on April 2, the three main opposition parties—the

Democrats, Chart Thai, and Mahachon—announced their intention to boycott the election. On March 5, 100 intellectuals presented a petition to the King, asking that in order to provide some hope for a fair election, a stand-in for a caretaker prime minister other than Thaksin should be nominated to oversee the next election process.

In 2006, the main point of interest as regards domestic politics so far has been the issue of the future of the prime minister (who has been a caretaker prime minister since February 25, 2006). The second most important topic will be the validity of the election, if it is held, and the changes in power within the TRT Party. Moreover, another issue might be the revision of the 1997 Constitution.

Economic trends may be strongly affected by the political situation. In particular, the megaprojects and the FTA negotiations were policies specific to the Thaksin administration and were promoted by it, and it is possible that they may take quite another direction depending on how the political situation evolves.

From the time of the first administration onward, the Thaksin government has greatly changed the way in which political policies are determined in Thailand as well as the content of those policies. In the short term, the present disruption of the administration will inevitably exert a strong influence on the continuity of domestic policies and on the stable running of the economy. Just as at the beginning of the 1990s, when the topics at the forefront of people's attention were democracy and the new Constitution, so the year 2006 will constitute an important turning point determining the direction that Thailand will take in the early twenty-first century.

## IMPORTANT DATES

### *January*

- 1: King Bhumibol Adulyadej, in his speech in the evening of December 31 celebrating the arrival of the New Year, appealed to his people to overcome the difficulties caused by the Indian Ocean tsunami through solidarity and consideration for others.
- 11: The cabinet agreed on a tsunami relief budget of 525,550,000 baht and established a low-interest loan facility amounting to 64.5 billion baht.
- 16: The prime ministers of Sweden, Norway, and Finland visited areas affected by tsunami damage (until January 18).  
- A bomb exploded in a restaurant in Yala Province, southern Thailand.
- 17: First ever train collision on the Bangkok underground railway.
- 27: On being refused a replacement for a vehicle that had many defects, a Thai woman publicly smashed up her Honda family car. Following this event, a movement toward a consumer protection law gathered pace.
- 31: Apirak Kosayodhin, governor of Bangkok, announced a plan to extend the Skytrain (the Bangkok Mass Transit System railway line).

### *February*

- 3: The customs department of the Ministry of Finance signed a bribery prevention agreement with exporters and importers.
- 6: Election of House of Representatives. Thai Rak Thai (TRT) Party won 377 of the 500 seats being contested (announced by the Election Commission on February 20).
- 8: Visit of the Turkish Prime Minister Tayyip Erdogan. Discussion between the leaders of Thailand and Turkey of arrangements following the tsunami, as well as of matters such as science and technology, tourism, and air travel (to February 9).
- 14: In connection with illegal dealing at Krung Thai Bank, the Bank of Thailand filed criminal charges against a former director of the bank and some of the bank's managers.
- 16: In the southern provinces of Yala and Narathiwat, a series of bomb attacks on targets, including universities, hotels, and motor vehicles (bomb incidents continued until March 17).
- 22: Deputy Prime Minister Chavalit Yongchaiyudh announced his intention to retire from politics
- 24: Announcement of a budget framework worth 200 billion baht for a four-year program for the development of four main river basins.

### *March*

- 2: The Bank of Thailand raised the 14-day repo rate from 2.0 percent to 2.25 percent.

- 5: Banyat Bantadatan, leader of the Democrat Party, resigned following his party's defeat in the election, and Abhisit Vejjajiva became the new leader.
- 11: Second Thaksin administration formed. New cabinet established.
- 16: The finance minister, Somkid Jatusripitak, announced that he would increase the price of light oil in stages. An administrative float was introduced.
- 22: Cabinet approved a development plan for national laws, which included the large-scale abolition of 377 legal statutes.
- 25: Industry Minister Wattana Muangsook proposed, in the interests of liberalization, to abolish the sugar and sugar cane law of 1984.
- 28: Establishment of National Reconciliation Commission, for conciliation of problems in southern Thailand. Former prime minister Anand appointed as the Commission's chairman.
- 29: Cabinet announced a five-year program for the leasing of five million cows.

### *April*

- 3: Series of bomb attacks at the airport and at a supermarket in the city of Hat Yai in Songkhla Province.
- 6: Deputy Prime Minister Surakiart attended a meeting of the Asian Cooperation Dialogue (ACD) in Pakistan.
- 8: State visit of Blaise Compaore, president of Burkina Faso (to April 11).  
- In an attempted crackdown on illegal extortion of protection money from vendors, Bangkok Metropolitan Agency began the licensing of street vendors.
- 11: Prime Minister Thaksin announced the "Third War to Clean Up Drugs." The emphasis was on a crackdown in areas close to the borders.
- 17: The prime minister of Denmark visits Thailand (to April 18). The prime ministers of Thailand and Denmark conferred on a number of topics, including the provision of a tsunami warning system.
- 19: Joint statement for signing of Close Economic Partnership (CEP) between Thailand and New Zealand, the agreement to take effect from July 1.  
- The Bank of Thailand announced the details of bank permits based on the Finance Sector Development Plan of 2004.
- 25: Prime Minister Thaksin paid a state visit to Jordan (April 25) and Oman (April 27).  
- National Telecommunications Commission published a master plan for telecommunications, 2005–7.  
- The newspaper *Prachachart Turakij* revealed details of a scandal over the featherbedding of prices of explosive detection equipment at the new airport.
- 29: Birth of first baby boy to Princess Srirasmi, consort of Crown Prince Vajiralongkorn.

- 30: Tsakhiyaagiyn Elbegdorg, prime minister of Mongolia, visited Thailand (to May 3).

## May

- 3: Cabinet approved a broad framework for next year's budget.
- 4: Ministry of Agriculture and Cooperatives confirmed that a suspected case of infection with avian flu, for which the ministry is monitoring constantly, has tested negative.
- 9: Shaukurt Aziz, prime minister of Pakistan, visited Thailand. Meetings at cabinet-minister level were held on the possibility of a Close Economic Relationship between the two countries.
- 10: A Cabinet meeting approved the plan to sell shares in Electricity Generating Authority of Thailand (EGAT).  
- Government began negotiations for the formation of a free trade agreement (FTA) with the four-member countries of EFTA.
- 13: Finance Minister Somkid Jatusripitak announced his intention to release shares in the state-owned TOT Corporation (Thailand's national telecommunications organization).
- 17: Cabinet decided on a Comprehensive Energy Saving Plan which will introduce compulsory energy saving, and a guide to alternative energy sources.
- 26: The Supreme Court ruled that raising the National Counter Corruption Commissioners' allowances amounted to an abuse of power, and merited a conviction under the law.
- 28: Opening of first cabinet conference concerning the second administrative reform of ministries and government offices.
- 30: National Natural Disaster Warning Centre set up in Nonthaburi province.  
- Thailand's Ministry of Energy and Myanmar's Electric Power Ministry signed an agreement to investigate the possibility of building a dam across the Salween River.

## June

- 1: Government launched an energy saving campaign.
- 3: Prime Minister Thaksin visited India and Bhutan. Topics discussed included the promotion of trade (to June 4).
- 9: The Bank of Thailand raised the 14-day repo rate from 2.25 percent to 2.5 percent.
- 10: Andranik Margaryan, prime minister of Armenia, visited Thailand. Discussed trade problems and other topics with Prime Minister Thaksin.
- 19: General Pervez Musharraf, president of Pakistan, visited Thailand. Discussed free trade area negotiations with the prime minister (to June 20).
- 23: Yahya Jammeh, president of Gambia, visited Thailand as part of Thailand's initiative to strengthen its ties with Africa during 2005 (to June 27).

- 27: Debate in the House of Representatives on a motion of no-confidence in Transport Minister Suriya, put forward by the opposition parties (voted down on June 29).
- 30: Prime Minister Thaksin visited China, commemorating 30 years of diplomatic relations between the two countries (to July 2).  
- Securities and Exchange Commission filed criminal charges against the former President of Picnic Corporation, accusing him of window-dressing the company's year-end results.

## *July*

- 1: The Bank of Thailand set an upper limit on the amount of interest payable by individuals on unsecured loans.  
- Government's proposed revision of article 297 of the Constitution, concerning election of members of the National Counter-Corruption Commission, passed through parliament.
- 4: Prime Minister Thaksin attended the summit of the Greater Mekong Subregion (GMS) Economic Cooperation (to July 5).
- 6: Deputy Minister of Commerce Suriya resigned following the scandal that had enveloped his family company (Picnic Corporation).
- 10: Ministry of Agriculture and Cooperatives confirmed the reappearance of avian flu in Suphanburi Province.
- 12: Cabinet agreed to abolish the subsidy on the retail price of light oil.
- 14: Sora-at Klinpratoom, minister of labor, announced a policy for legalizing and registering foreign workers in Thailand.  
- In Yala Province, a series of terrorist incidents, including the destruction of an electricity transformer, and explosion of bombs at a hotel, a cinema, and other places.
- 15: Prime Minister Thaksin opened a meeting for the presentation of the results of the Small Medium and Large-scale (SML) Village Fund Development Project.
- 16: Legislation for the Emergency Decree on Public Administration in Emergency Situation, B.E.2548 (2005), aimed at normalizing the situation in southern Thailand, was published. On July 17 a State of Emergency took effect in the three southern provinces (for a three-month period).
- 18: Susilo Bambang Yudhoyono, president of Indonesia, visited Thailand (to July 20). Signing of memoranda of understanding to boost economic cooperation between the two countries.
- 20: The Bank of Thailand raised the 14-day repo rate from 2.5 percent to 2.75 percent.
- 25: Deputy Prime Minister Pinij Jarusombat announced the government's measures for dealing with the water shortage in the Eastern Seaboard Industrial Estate.

- Alongkorn Pollabutr, deputy leader of the Democrat Party, filed an accusation with the Royal Thai Police concerning suspected corrupt dealings at the new airport by Yaowaret, the prime minister's sister.

- 31: Local elections held in *tambon* (community) administration organizations (TAOs) throughout the country.

### August

- 1: Shoichi Nakagawa, Japan's minister of economy trade and industry, and Deputy Prime Minister Somkid Jatusripitak agreed on a broad framework for a Japan-Thailand Economic Partnership Agreement.
- 2: Prime Minister Thaksin carried out a cabinet reshuffle.
- 4: National Telecommunications Commission awarded telecommunications business licenses to TOT Corporation and CAT Telecommunications.
- 8: Emomali Rahmanov, president of Tajikistan, made a state visit to Thailand (to August 12). He announced his interest in joining the Asian Cooperation Dialogue (ACD).
- 12: Birthday of Queen Sirikit. At a congratulatory party held on the day before her birthday, the Queen expressed her anxiety about the deteriorating situation in southern Thailand.
- 18: Prime Minister Thaksin announced a plan to provide 500,000 prefabricated houses to poor families.
- 21: A protest movement demanded an improvement in the treatment of Thai workers being employed on a seasonal basis in Taiwan (on August 24, Annette Lu, the vice president of Taiwan, apologized for the poor treatment of these workers).
- 30: One hundred thirty-one residents of Narathiwat Province, southern Thailand, fled across the border into Malaysia.

### September

- 1: Prime Minister Thaksin and Japan's Prime Minister Koizumi confirmed a broad framework for an Economic Partnership Agreement between Thailand and Japan (Thaksin visited Japan on August 30).  
- Supachai Panitchpakdi, secretary-general of the WTO, resigned and took up office as secretary-general of UNCTAD.
- 2: Prime Minister Lee Hsien Loong of Singapore had a private meeting with Prime Minister Thaksin in Chiang Mai (to September 3).  
- Proposals for the 2006 budget bill passed through the House of Representatives.
- 7: The Bank of Thailand raised the 14-day repo rate from 2.75 percent to 3.25 percent.  
- Foreign Minister of Thailand signed a treaty arrangement with Hong Kong outlawing double taxation.

- 8: Prime Minister Thaksin paid a state visit to Morocco, and discussed various topics with Prime Minister Driss Jetou.
- 12: GMM Media Corp. announced a plan to take over the two Thai newspapers *Matichon* and *Bangkok Post*.
- 13: Prime Minister Thaksin attended the second ASEAN-UN Summit in New York. He went on to attend the High-Level Plenary Meeting (HLPM) of the General Assembly of the United Nations (September 14–16).
- 14: Prime Minister Thaksin signed the International Convention for the Suppression of Acts of Nuclear Terrorism at the headquarters of the United Nations.
- 15: The television broadcaster Channel 9 canceled the transmission of a political program chaired by Sondhi Limthongkul, the founder of the newspaper *Phujadkarn*.
- 19: Prime Minister Thaksin in Washington, D.C. for talks with President Bush. Among the topics discussed were FTA problems and the forthcoming appointment to the post of secretary-general of the United Nations.
- 20: Two marine soldiers killed in a village in Rangae district, Narathiwat Province.
- 27: The Senate elected members of the National Broadcasting Commission.
- 29: Prime Minister Thaksin inspected the preparations for the opening of Suvarnabhumi airport and takes a ride on a test flight.

### *October*

- 1: Commencement of large-scale infrastructure investment plan (Megaprojects).
  - Annual military reshuffle of 620 military positions. Deputy Commander General Sonthi Boonyaratglin became the first ever Army commander-in-chief to be a Muslim.
  - Prime Minister Thaksin announced the “Fourth War to Clean Up Drugs.”
- 5: Public Health Minister Suchai Charoenratanakul announced his intention to resign on October 31.
- 9: Prime Minister Thaksin set off with a party of officials on a tour of Europe (France on October 11, Belgium and the European Commission on 12th, Britain on 13th, Finland on 14th, Russia on 15th). Discussions with the heads of these various countries (to October 16).
- 11: Prime Minister Thaksin delivered a speech at the 33rd Congress of UNESCO, held in Paris.
  - Prime Minister Thaksin filed libel charges in the civil and criminal courts against the newspaper *Pujadkarn Daily*.
- 12: Together with José Manuel Barroso, Chairman of the European Commission, Prime Minister Thaksin attended the signing ceremony for a Joint Statement on Partnership and Cooperation between Thailand and the EU.

- Deputy Prime Minister Wissanu announced a plan to cut the number of civil servants by half by 2008.
- 14: The Bank of Thailand raised the 14-day repo rate from 3.25 percent to 3.75 percent.
- 16: A monk and two temple boys killed in a Buddhist temple in Pattani Province, southern Thailand, and the temple was set ablaze during the attack.
- 18: Cabinet acknowledged the plan to restructure general individual loans. State of Emergency in the three southern provinces extended for a further three months.
- 19: The first death this year of a person infected by avian flu.
- 20: Prime Minister Thaksin issued a rebuttal of a statement from the Organization of Islamic Conferences (OIC) which expressed anxiety over “violence against Muslims in southern Thailand.”
- 25: Over 2,000 farmers staged a sit-in in front of the Office of the Prime Minister, demanding a settlement of their debt problem.
- 26: Attacks at more than 60 places in the three southern provinces. The armed criminals concerned engaged in large-scale robbery of weapons.
- 31: Prime Minister Thaksin carried out his second cabinet reshuffle.

### *November*

- 1: The Senate elected new members of the National Counter-Corruption Commission.
- 2: Conference of leaders of the Ayeyawady—Chao Phraya—Mekong Economic Cooperation Strategy (ACMECS) opened in the official residence of the prime minister (to November 3).
- 3: Airing of suspicions of a kidnapping of a Thai woman by North Korea. Evidence was made available of the woman’s identity.
- 8: A demonstration by several thousand teachers outside the Office of the Prime Minister, over the transfer of state schools to local administrative organizations control.  
- Prime Minister Thaksin visited Kenya and Turkey (to November 12).
- 12: Guy Verhofstadt, prime minister of Belgium, visited Thailand. Both prime ministers conferred on the possibility of direct flights between the two countries and attended a signing ceremony on a treaty of mutual assistance in criminal matters and a treaty on the transfer of sentenced persons and cooperation in the enforcement of penal sentences.
- 15: Supreme Administrative Court ruled that a new offer of shares by Electricity Generating Authority of Thailand (EGAT) be suspended.
- 18: Prime Minister Thaksin traveled to South Korea to attend the Pusan meeting of Asia-Pacific Economic Cooperation (APEC).
- 19: Prime Minister Thaksin, accompanied by Donald Tsang, the Chief Executive of Hong Kong Special Administrative Region, attended a signing

- ceremony in Hong Kong in respect of the promotion and protection of investment.
- Signing of an understanding on the early-harvest scheme in respect of an FTA with Peru.
- 20: Prime Minister Thaksin attended the summit meeting of the Boao Forum for Asia, in China.
  - 22: Opening of the second conference on the Singapore-Thailand Enhanced Economic Relationship (STEER) in Bangkok.
  - 23: Central Administrative Court ruled that the selection of the members of the National Broadcasting Commission was invalid.
  - 28: Privy Counsellor Surayud Julanont warned Sondhi (who was leading an anti-Thaksin movement) and Thaksin to be discreet in making references to the royal family.
  - 30: Parliament debated a proposal for amendment of the Act of Decentralization Plan and associated procedures. Some 30,000 teachers, who want the wording of the proposal to be changed, gathered in Bangkok.

### *December*

- 5: Birthday of the King: In a speech delivered in the evening of December 4, the King remarked that those who were above other people must be aware of their own errors and be tolerant of the criticism of others.
- 6: Following the King's speech, Prime Minister Thaksin withdrew his libel suits against Sondhi.
- 8: The Malaysian authorities, responding to a request from the Thai side, handed over a person suspected of being involved in terrorist activities in southern Thailand.
- 9: Some 80,000 people attended a rally led by Sondhi, who continues to criticize the administration.
- 11: Prime Minister Thaksin visited Malaysia (to December 14) and took part in a meeting on the "Triangle of Growth" with the leaders of Malaysia and Indonesia. He also attended the 11th ASEAN Leaders' Meeting (December 12) and the Southeast Asia Leaders' Conference (December 14).
- 14: The Bank of Thailand raised the 14-day repo rate from 3.75 percent to 4 percent.
  - Finance Minister Thanong Bidaya announced a proposal for the introduction of a compulsory savings system for state pensions, with effect from 2006.
- 15: King Abdullah of Jordan visited Thailand.
- 16: President Yudhoyono of Indonesia and Prime Minister Thaksin held a meeting on cooperation in fields such as energy, trade, and fisheries (State visit of President Yudhoyono, December 15 to 17).

- 20: Following the winding-up of the Asset Management Company (AMC), the cabinet agreed on a policy to transfer the company's assets to Bangkok Commercial Asset Management Co. Ltd.
- 26: The government held ceremonies to mark the first anniversary of the Indian Ocean tsunami.

## APPENDIX 11.1: ORGANIZATION CHART OF THE THAI STATE (as of December 2005)



Source: From the Council of State, Homepage of the Office of the Prime Minister.

## APPENDIX 11.2: THE CABINET LINEUP OF THE THAKSIN ADMINISTRATION II

(His Majesty the King issued a royal command to approve this Cabinet on March 11, 2005.)

### *Prime Minister*

Thaksin Shinawatra

### *Deputy Prime Minister*

Somkid Jatusripitak

Chidchai Vanasatidya

Wissanu Krea-ngam

Surakiart Sathirathai

Chaturon Chaisang

Pinij Jarusombat

### *Minister attached to the Office of Prime Minister*

Suranand Vejajiva

### *Minister of Defense*

Thammarak Isarangura Na Ayuthaya

### *Minister of Finance*

Somkid Jatusripitak

### *Deputy Minister of Finance*

Varathep Ratanakorn

Chaiyos Sasomsub

### *Minister of Foreign Affairs*

Kanthathi Suphamongkhon

### *Deputy Minister of Foreign Affairs*

Preecha Laohaphongchana

### *Minister of Agriculture and Cooperatives*

Sudarat Keyuraphun

### *Deputy Minister of Agriculture and Cooperatives*

Newin Chidchob

### *Minister of Information and Communication Technology*

Suwit Khunkitti

### *Minister of Commerce*

Thanong Bidaya

### *Deputy Minister of Commerce*

Suriya Lapvisuthisin (resigned in July)

### *Minister of Interior*

Chidchai Vanasatidya

### *Deputy Minister of Interior*

Sermsak Pongpanit

Somchai Sunthornvut

***Minister of Justice***

Suwat Liptapanlop

***Minister of Labor***

Sora-at Klinpratoom

***Minister of Natural Resource and Environment***

Yongyuth Tiyapairat

***Minister of Education***

Adisai Bodharamik

***Deputy Minister of Education***

Rung Kaewdaeng

***Minister of Culture***

Uraivan Thienthong

***Minister of Public Health***

Suchai Charoenratanakul

***Deputy Minister of Public Health***

Anutin Charnvirakul

***Minister of Industry***

Watana Muangsook

***Minister of Transport***

Suriya Jungrungreangkit

***Deputy Minister of Transport***

Phumtham Wechayachai

Adissorn Piengket

***Minister of Tourism and Sports***

Somsak Thepsutin

***Minister of Social Development and Human Security***

Pracha Maleenont

***Minister of Energy***

Viset Juphibal

***Minister of Science and Technology***

Korn Thapparangsi

*Source:* Homepage of the Prime Minister's Office.

## APPENDIX 11.3: MAJOR STATISTICS

### 1. General

	2000	2001	2002	2003	2004	2005
Population (millions, year end)	62.24	62.67	63.14	63.66	64.2	64.76*
Working population (millions, year end)	33.22	33.92	34.25	34.85	35.82	36.2
Increase in consumer prices (%)	1.6	1.6	0.7	1.8	2.7	4.5
Unemployment rates (%)	3.6	3.2	2.2	2	2	1.7
Exchange rates (US\$ 1 = baht)	40.16	44.48	43	41.5	40.28	40.29

Source: Population figures from 2000 to 2004 inclusive are taken from Asian Development Bank, *Key Indicators, 2005* (p.384); all other figures are from the Bank of Thailand's home page at [http://www.bot.or.th/bothomepage/databank/EconData/EconData\\_e.htm](http://www.bot.or.th/bothomepage/databank/EconData/EconData_e.htm).

Note: \* taken from a survey done in July 2005 by the National Statistics Office.

### 2. Gross National Product by Type of Expenditure (at current prices)

	(Billion baht)					
	2000	2001	2002	2003	2004*	2005*
Private consumption expenditure	2,762.9	2,941	3,120	3,388.5	3,687.6	4,043.7
Government consumption expenditure	557.8	581.1	603.9	635.3	721.3	838.8
Gross fixed capital formation	1,081.4	1,181.3	1,243.2	1,423.9	1,686.8	2,057
Change in inventories	42.7	55.8	54.1	53.6	75	188
Exports of goods and services	3,287.3	3,380.8	3,499	3,886.6	4,587.9	5,232.9
Imports of goods and services	2,862.3	3,047.6	3,134.3	3,485.3	4,281.9	5,338.6
Expenditure on gross domestic product (GDP)	4,869.9	5,092.4	5,385.9	5,875.5	6,476.7	7,022
GDP	4,924.2	5,132.6	5,451.5	5,928.9	6,504	7,103
Net factor income from abroad	-77.3	-82.8	-89.2	-112.1	-126.8	-172.1
Gross National Product	4,846.9	5,049.8	5,362.3	5,816.9	6,376.7	6,928.3

Source: National Economic and Social Development Bureau home page at <http://www.nesdb.go.th/econSocial/macro/NAD.htm#9gdp>.

Note: \* indicates preliminary figures.

### 3. Gross Domestic Product by Industries (at constant 1988 prices)

	(Billion baht)					
	2000	2001	2002	2003	2004*	2005*
Agriculture, livestock, forestry & fishery	309.9	320	322.2	359	341.8	333.5
Of which agriculture, livestock, forestry	259.2	270.2	272.4	303.6	284.2	274.5
Mining & quarrying	64.2	64.6	71.7	76.6	80.2	87.6
Manufacturing	1096.2	1111.5	1190.8	1317.2	1425	1503.5
Construction	76.3	76.5	80.6	82.9	91.2	97.4
Electricity, gas & water supply	97.6	103.9	110.1	115.2	122.5	128.9
Transport & communications	290.4	310.1	331.2	341.3	367.4	387.1
Wholesale and retail trade	474.8	469.6	479.7	494.4	521.5	538
Financial services	84	85.8	95.7	111.7	126.4	140.2
Real estate and renting activities	120.3	122.4	128.4	134.9	144.4	150.7
Public Administration and defence	95.3	98.8	105.3	108.3	110	112.7
Services	299.4	310.4	321.3	322.9	348	363
Gross domestic product (GDP)	3008.4	3073.6	3237	3464.7	3678.5	3842.5
GDP growth (%)	4.8	2.2	5.3	7	6.2	4.5

Source: Same as Table 2.

Note: \* indicates preliminary figures.

### 4. Foreign Trade by Country and Area

	(Million baht)							
	2002		2003		2004*		2005*	
	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
Japan	427,023	639,104	472,264	755,894	541,758	901,122	605,582	1,048,236
NAFTA	635,145	288,851	621,172	319,683	683,920	317,766	743,482	378,557
USA	579,072	265,804	565,096	296,331	622,725	291,197	683,097	349,437
EU	438,370	303,909	488,467	314,137	577,549	378,964	600,185	432,900
Germany	65,895	105,413	74,418	105,080	72,355	114,374	80,035	128,749
United Kingdom	102,635	36,637	107,117	38,525	121,793	51,204	112,350	51,429
ASEAN	582,130	467,277	684,948	521,924	852,592	640,372	965,768	870,142
Singapore	238,241	124,683	243,109	135,321	282,009	167,368	300,542	216,522
Malaysia	121,628	156,370	160,508	187,617	213,250	223,479	229,062	325,477
CLMV	93,797	53,728	118,188	55,892	152,213	77,929	191,233	118,267
China	152,592	211,707	236,058	251,072	285,754	329,662	368,045	448,991
Hong Kong	158,165	39,046	179,134	44,457	198,287	53,594	246,911	60,433
Taiwan	84,598	124,751	107,193	133,719	104,557	160,129	108,541	181,149
South Korea	60,017	108,459	65,816	120,643	74,535	144,305	90,666	155,824
Total	2,923,941	2,774,840	3,326,013	3,137,924	3,874,824	3,810,171	4,436,676	4,756,000

Source: The Bank of Thailand home page, at

[http://www.bot.or.th/bothomepage/databank/EconData/EconData\\_e.htm](http://www.bot.or.th/bothomepage/databank/EconData/EconData_e.htm).

Note: CLMV consists of Cambodia, Viet Nam, Laos, and Myanmar. Figures for EU are totals for 25 countries, including the 10 new member countries as of May 2004. \* indicates preliminary figures.

## 5. Balance of Payments

	(Million baht)				
	2001	2002	2003	2004*	2005*
Current account balance	274,810	302,029	329,180	274,964	-144,442
Trade balance of goods	110,951	118,224	155,587	58,793	-339,716
Exports (f.o.b.)	2,802,530	2,837,663	3,233,116	3,822,802	4,400,726
Imports (c.i.f.)	-2,691,579	-2,719,439	-3,077,529	-3,764,009	-4,740,442
Service balance	198,190	215,348	208,750	211,001	196,007
Transportation	74,666	79,253	70,682	76,904	50,773
Travel	183,827	197,944	203,851	221,892	205,437
Other service	-60,303	-61,849	-65,783	-86,795	-60,203
Income balance	-61,034	-57,465	-74,071	-81,836	-121,558
Compensation of employees	55,606	59,251	66,571	65,124	47,664
Investment account	-116,640	-116,716	-140,642	-146,960	-169,223
Current transfers	26,703	25,922	38,914	86,006	120,826
Capital and financial account	-203,550	-181,574	-334,456	-20,500	267,022
Direct investment	157,950	37,014	60,545	51,837	132,252
Portfolio investment	-40,034	-70,537	-5,118	86,663	159,173
Shares (equity securities)	15,404	23,212	72,283	14,471	208,546
Bonds (debts securities)	-39,511	-54,507	-37,580	22,755	12,137
Other investment	-321,466	-148,051	-389,883	-159,000	-24,403
Net errors and omissions	-13,694	60,366	7,455	-24,537	98,857
Reserve asset changes	-57,566	-180,821	-2,179	-229,927	-221,437

Source: Same as Table 4.

Note: \* indicates preliminary figures.

