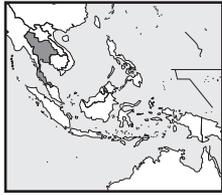


THAILAND

In the shadow of economic priorities



Being poor is not only about lacking money or production resources. It is also about being dominated by a development policy focused on financial interests and resource management that relies exclusively on foreign capital and markets. This is the challenge faced by Thailand's poor whose government fails to give them priority nearly 10 years after the 1997 economic crisis.

The Social Agenda Working Group

Ranee Hassarungsee

Lack of access to resources, low agricultural prices and increased consumerism make it difficult for the agricultural sector to support farming households. Between 1995 and 1996, farming households earned only 37% of their total income from farming. The remaining 63% was earned in non-agricultural activities, with almost half (43%) coming from the wages and remittances of migrant workers, many of them women.¹ The top five export earners during the economic boom before 1997 were textiles and garments, computer appliances and parts, jewellery and accessories, canned food and frozen shrimp, and integrated circuits, with women making up the majority of the workforce in these sectors.

Thailand adopted the Copenhagen Declaration and Action Plan on Social Development and incorporated aspects of it into the Eighth National Economic and Social Development Plan (1997-2001).² For the first time civil society played an active role in the preparation of the Plan, as people began to realize that development was overly focused on economic factors and did not take social considerations into account.

Civil society then proposed a local development strategy focused on the people's self-determination. This focus emerged from the conflict over natural resources between local villagers and the Government, and drew attention to community rights and the protection of local ways of life.

After the economic crisis in 1997,³ part of the non-agricultural labour force took refuge in rural areas. Those who remained in the industrial sector were forced to work harder while their working and living conditions worsened. Women workers suffered most due to employment insecurity and weakened welfare programmes. The employment pattern also changed dramatically from industrial employment to more subcontracted work.

The follow-up of the Summit on Social Development⁴ was organized in 2000, three years after the economic crisis. Although the Government agreed to include the outcomes of the follow-up summit in the Ninth National Economic and Social Development Plan (2002-2006), the Plan was predominantly influenced by an economic development strategy focused on globalization and conditioned by International Monetary Fund (IMF) agreements.

The economy has been trapped by the policy conditionalities stipulated by the IMF standby arrangement and the World Bank and Asian Development Bank structural adjustment loans. The government agencies entrusted with economic policy-making, such as the Ministries of Finance, Commerce, Communication, and the Bank of Thailand, have all chosen this development direction. Some sections of the National Economic and Social Development Board and the Ministry of Agriculture would like a more local development focus based on self-sufficiency but their minority voice fails to be heard.

Nonetheless over the past 40 years, during the implementation of the economy-focused development plan, poverty problems and the number of poor households have decreased. However every time an economic crisis emerges, the number of poor households rises, as was the case in 1997.

Poverty after the 1997 economic crisis

The 1997 economic crisis sent a warning signal to Asia and the world about the "self-destruction" of capitalism but the country's elite and the world in general appear to be oblivious to the warning.

The promulgation of the 1997 Constitution followed on the heels of the economic crisis, and aimed to bring about political reform but resulted in the increased monopolization of political power.⁵ The new Constitution invests more power in the Prime Minister than ever before. It also requires that parliamentary candidates have a bachelor's degree, a requirement that coupled with the party list system means that members of Parliament (MPs) tend to come from

the urban elite rather than from other classes. Political monitoring by independent organizations and civil society was not as successful as expected and the private sector took advantage of this political impotence to establish the Thai Rak Thai Party⁶ with ambitious plans to change Thai society and politics.⁷

The economic crisis did not change income distribution in the country, and the poorest 20% of the population earn only 5% of the national income while the richest 20% earn 56%. What is more worrying is that there is no clear sign that this income gap will narrow.⁸ At the same time, the gap between the urban and rural sectors is widening

Land access is a serious issue and a contributing factor to poverty. Thirty million *rai*⁹ or 4.8 million hectares, of land have been left idle while the number of landless farming families is estimated at 800,000.¹⁰

Land speculation in 1997 is one reason for the concentration of land during the economic boom but it is also what essentially caused the economic bust that same year since it led to massive non-performing loans (NPLs).

Figures from the Bank of Thailand showed that at the end of May 2000 the NPLs were as high as THB 2.92 trillion (USD 71 billion) and mostly in the real estate sector. Land speculations caused at least THB 2 trillion (USD 48.6 billion) worth of damage to the economy, and contributed to landlessness, poverty and social malaise.¹¹

The globalization of poverty

The importance of foreign direct investment increased following the economic crisis. In 1998 foreign investment in the banking and finance sector

1 Phongpaichit, Pasuk and Chris Baker. *Thailand: Economy and Politics*, cited in Chris Baker's paper on Project for the Economic Community of the Thai Villages, "The future of rural Thai society: suggested ideas". Thailand Research Fund, 2002, p. 40.

2 National Welfare Promotion Commission, Department of Social Welfare. *Summary of the UN Special Session to Follow up the Social Development Summit*. 2000, p. 1.

3 The economic crisis which hit in Thailand in 1997 lasted throughout the following year, devalued the currency and led to an 8% decrease in gross national product.

4 World Summit for Social Development and Beyond June 2000 Follow-Up. International Monetary Fund initiatives in support of social development. Submitted to the U.N., 6 December, 2000.

5 Boonlong, Piyawat. *Constitutional Economy: Analysis of the 1997 Constitution*. Vol 3. Bangkok: Matchon Publishing in cooperation with the Thailand Research Fund, 2003, p. 18.

6 A right-wing populist personalist party formed in 2001 by telecommunications billionaire Thaksin Shinawatra. It has combined populist policies with strong support for United States foreign policy.

7 Phongpaichit, Pasuk. *Democracy, Civil Rights, Reconciliation*. Bangkok: Political Economy Center, Faculty of Economics, Chulalongkorn University, 2004, pp. 3-4.

8 Chitsuchon, Somchai. "Reflection on 20 years of Thailand's socio-economic setting". Presented to the annual conference of the Thailand Development Research Foundation, 27-28 November 2004, p. 5.

9 1 rai = 1,600 square metres

10 Asia Pacific Forum on Women, Law & Development. www.apwld.org/wrwd_thailand.htm

11 Land Institute Foundation. *The Occupation and Use of Land*. Bangkok: Thailand Research Fund, March 2002, p.16.



was at its highest while investment in the industrial sector reached THB 89.6 billion (USD 2.2 billion) - 53.4% higher than in 1997.¹²

The fact that a large number of joint ventures and Thai enterprises became cash-strapped and were burdened with increasing NPLs brought on by currency devaluation and higher interest rates contributed to the crisis.

Between November 1997 and March 1999, the majority shares of 135 companies promoted by the Board of Investment¹³ were purchased by multinational corporations, in accordance with new laws which allow this practice. A 1997 statistical report on domestic industry showed that two-thirds of total export value came from export companies operated by foreign investment capital. These multinational corporations made up around 80% of the total export volume of the industrial sector, when the food and rubber sectors were excluded.¹⁴

After the Asia-Pacific Economic Cooperation's summit held in Thailand in 2003, the Government quickly went ahead with its negotiations on bilateral free trade agreements (FTAs) with China, Australia, New Zealand, the United States, India and Peru. Many issues in the FTAs will negatively affect consumers, farmers and small-scale producers but the hasty negotiations were made without paying attention to the voices of these groups. Senators, academics and non-governmental organizations (NGOs) have voiced their opposition to the FTA negotiations.

The Bangkok-based NGO FTA Watch has monitored Thailand's negotiations with other countries and found that the Government paid no attention to the subsequent impacts of the agreements, that the negotiations lacked transparency and public participation, and that no public hearings were held as required by Article 57 of the Constitution. Information on the negotiations is in English and considered confidential by the government ministries involved. Without information in Thai, people cannot inform themselves of the process. The Government may have consulted private sector groups, but that does not mean that they seriously listened to the opinions of those consulted. Nor has it responded well to the concerns of civil society.¹⁵

Natural disasters

Until recently Thailand had never suffered any serious natural disasters but droughts and floods are now severe and widespread. The poor, whose livelihood is dependent on natural resources, have been placed in a precarious situation.

The country's most recent natural disaster was the series of tsunamis that struck and ravaged Thailand's six provinces on the Andaman coast in late December 2004, taking over 10,000 lives, and affecting 53,203 people and 12,293 households.¹⁶ Indigenous fisherpeople mostly Malay Muslims - were hardest hit, as well as Buddhist Thais and other ethnic minorities, such as the Moken and Urak Lawoi. These last groups are the poorest and they live along the coast. Their way of life and culture are closely linked with coastal resources and thus they were severely affected. Additionally, thousands of migrant workers from the north-eastern region and Burma also died.

Housing and resettlement are the biggest problems facing tsunami victims. Government policies and plans have focused on organizing the communities and moving fishing villages further away from the coasts. The use of coastal land for tourism purposes is at the centre of these plans even though the fishing communities need to live along the river banks and coasts to be able to gain their livelihood. Conflict over land use was inevitable and it points to the existence of a chronic problem long before the catastrophe occurred.

Poverty and macroeconomic policy

Past governments tried to solve poverty problems through microeconomic policy which targeted the poor with relief efforts that were highly unlikely to eliminate poverty. Macroeconomic policy implementation would solve the poverty problems more effectively, but it is more difficult for these policies to gain acceptance. There are three principal phenomena that have influenced public perception of poverty problems and that need to be changed before poverty can be eliminated.

- Development strategy: Thai development strategy is unbalanced and transfers economic surplus from the agricultural sector to the industrial sector. Neoliberal approaches not only connect the economy to the global market but also make it dependant on it. Only a handful of people benefit from this strategy while the farming sector is faced with numerous risks, such as global market price fluctuations. The local development concept of self-reliance is an alternative development strategy across, which focuses on self-sufficiency, economization and production diversification.
- Economic policy-making: National economic policy has the two prominent objectives of achieving economic growth during strong periods and maintaining economic stability during crises. It is biased towards the interests of the urban, the industrial and the service sectors and disfavours the agricultural sector. Poverty eradication and fair income distribution have never been the main objectives of economic policy.
- Legislative procedure: The procedure lacks public participation and two major issues need to be corrected. Firstly, the law-making process needs to include public hearings when it deals with resettle-

ment, transfers economic surplus from one sector to another, or destroys natural resources and environmental quality. The process also needs to take away some power from top government officials. Secondly, the voting rules need to be modified. Although the Constitution requires a supermajority, most of the time a 50% majority vote prevails. This 50% is really a minority rule system since it represents the number of MPs at a meeting rather than the total number of MPs, facilitating the consolidation of interests by well-organized groups that push through self-serving laws. Over 50% of the total number of MPs should be required to vote in order to pass laws that affect the transfer of economic surplus from one economic sector to another; government revenue and financing; income distribution; natural resources and the environment; and the displacement of people.

Poverty problems such as the concentration of land and land occupation should be addressed using tax measures. Researchers from the Land Institute Foundation suggest the use of progressive tax rates which reflect economic rent, based on property size and price. Land tax collection should be done in a transparent manner while land information should be available to the public and computerized for easy access. In addition, community organizations which are well aware of land conditions should have an active role in land management and land tax collection.¹⁷

The disempowered

Since Prime Minister Thaksin Shinawatra started implementing his poverty eradication policy, the poor have become even more disempowered. As long as the poor are not provided with adequate access to natural resources and empowered to manage them, it will be impossible for them to escape poverty. Freedom to organize peaceful demonstrations, to express opinions and communicate freely, are directly related to poverty eradication. It is vital for the public to participate in policy-making. Democracy is the most important pre-condition for eliminating poverty since it truly empowers the poor.

Being poor is not only about lacking money or production resources. It is also about being dominated by a development policy focused on financial interests and resource management that relies exclusively on foreign capital and markets.

In order to solve poverty problems local communities need to be given more power and granted the right to manage their own natural resources. The conventional learning culture must be contested and a new perception of poverty must also be encouraged. Only with adequate knowledge and understanding can people develop a public policy that will effectively rid society of poverty. Using this knowledge, political parties and politicians can be kept in check and urged to undertake policy changes that will allow the poor to live a better life.¹⁸ ■

12 Therd-udomtham, Thammawit et al. "Thailand's Industrial and Technological Development over the Past Five Decades". Presented to a 2002 annual seminar on "Five Decades of Thailand's National Economic and Social Development Plan," held at the Faculty of Economics of Thammasat University, on 12 June 2002, p. 7/20.

13 The Board of Investment falls under the Ministry of Industry and aims to attract investment to Thailand.

14 Therd-udomtham, Thammawit et al, *op cit*, p. 7/33.

15 Council of the NGO Coordinating Committee on Development. Paper Nº 10 presented to a seminar held in January 2005, p. 13-14.

16 Department of Environmental Quality Promotion, Ministry of Natural Resources and the Environment. *Restoring new life: Post-tsunami Andaman*, 28 January 2005, p.10.

17 Land Institute Foundation, *op cit*, p. 26.

18 lawsriwong, Nidhi. "Multi-dimensioned Poverty". 20 December 2003, www.midnightuniv.org

