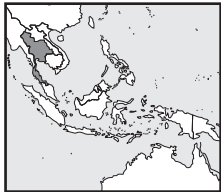


## A short-sighted response (once more)



The Government has issued a prompt response to the crisis under the usual shape of stimulus packages. However, a more sustainable vision becomes mandatory: one that brings into the solution the environmental and food security concerns the country and the world are currently facing. If change is to happen, it will have to come from an invigorated social movement, backed by solid support from academics and entrepreneurs.

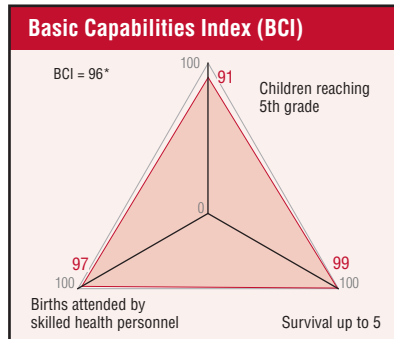
Nantiya Tangwisutijit  
Social Agenda Working Group

Initially, people in Thailand watched the subprime mortgage crisis unfold in the United States with little idea of what it meant, much less how it could affect them. Their first clue came in November 2008 when exports, which had enjoyed double-digit annual growth during the past decade, were suddenly down 20% compared to November 2007. Next, as employers moved quickly to minimize costs, workers took to the streets in protest of wage and benefits cuts. Then it was official: the crisis had arrived.

Thailand is no stranger to economic upheaval, having been ground zero for the Asian financial crisis 12 years ago, but the current recession is poised to cut far deeper into the country's economic, social and political fabric. Unlike 1997, when Bangkok's banking and currency mischief was contained mostly within the region, the current crisis has now swept away much of the world's wealth. Thus Thailand's export sector, the heart of its economy which continued to pump strongly during last decade's crisis, is now in free fall, dropping at an annual rate of more than 30%.<sup>1</sup>

As exports account for 70% of GDP, Thailand is among the most exposed economies in emerging Asia. Thai exports have tumbled in every major market: United States, Europe, Japan and ASEAN as a whole. Moreover, exports to China – the only country that might possibly provide the muscle to pull Thailand and emerging Asia out of the economic quagmire – have fallen as well.

The fast pace of economic decline has also been exacerbated by political uncertainty, with recurrently collapsing governments and four prime ministers in 2008 alone. This political paralysis has delayed the completion of government budgets and the implementation of backlogged public works projects. Economic growth in 2008 was just 2.6%, down from 4.9% in 2007. The forecast for 2009 is a further contraction, as low as -3.9%.<sup>2</sup>

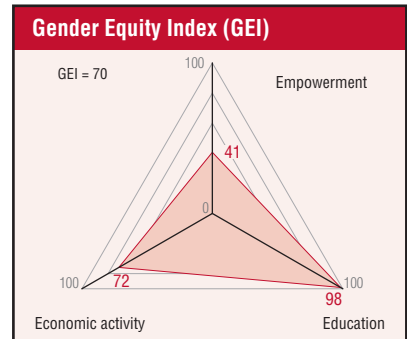


### Labour and unemployment

More than 250,000 workers lost their jobs between October 2008 and February 2009. Unemployment increased 140% from January 2008 to January 2009. The Federation of Thai Industries estimates that by the end of this year unemployment will reach 1.5-2 million people, 5%-8% of the registered workforce.<sup>3</sup> However, actual unemployment will be far worse, as official estimates neglect the informal sector which accounts for 60% of all jobs. This includes workers whose employers sidestep the unemployment insurance system, and those who remain unemployed after exhausting their six months of unemployment benefits.

According to official numbers, during the previous crisis, unemployment peaked at just 5.6% in 1998.<sup>4</sup> Labour advocacy groups such as the Arom Pong-pangan Foundation anticipate that unemployment will soon dwarf this figure, since the current crisis is expected to endure for a long time and because of the trends in the labor market during the past decade.

Today's workers have less bargaining power because of changes in employment and termination procedures, according to Bundit Thanachaisretavuth and Vassana Lamdee of Arom Pong-pangan Foundation. Instead of hiring workers directly, many employers outsource personnel management to "invisible" intermediaries in order to avoid any direct legal responsibility over employment practices. Moreover, the mass layoffs of the past, which could assure strong public support for stricter labour practices, no longer occur. Workers are let go in piecemeal



fashion, sometimes without compensation, and immediately transported back to their rural hometowns to keep them from stirring up trouble.

While trying to address the crisis through their watchdog role, both media and civil society groups are also impacted by the crisis. Print media in particular is cutting back in the wake of shrinking advertisement revenues. NGOs are taking a double hit as overseas donors slash their budgets and their weakening currencies convert into fewer Thai baht.

### Farming

During the 1990s crisis many unemployed workers found a temporary cushion in the farming sector; now, however, the rural rice bowls have less to offer. Although lower oil prices have cut farm input costs more than prices, the reduced demand for exports, especially for major commodities like rubber and cassava, have eliminated opportunities to absorb displaced workers. Worse still, as a result of the growing influx of cheap farm products from China following the implementation of the 2003 free trade agreement, Thai farmers have lost competitiveness. In addition, over the past decade, due to growing family debts and increasing labour migration from farms to factories, there are less small farmer owners of land. This shift in labour dynamics is also reducing farming skills and decreasing the number of urban labourers willing to return home to support the family farm.

### The poorest among the poor

These trends place even greater pressure on the 23 million workers in the informal sector, the majority of whom are women. Whether service workers, factory contractual workers, food vendors, farmers, handicraft makers, scavengers, taxi drivers, they already feel the pinch from the shrinking consumers' wallets

\* "Children reaching..." estimated following procedure "1" in p. 209.

1 National, Economic and Social Development Board. Available from: <[www.nesdb.go.th/Portals/0/eco\\_data/economic/eco\\_state/4\\_51/Press\\_Eng4-2551.pdf](http://www.nesdb.go.th/Portals/0/eco_data/economic/eco_state/4_51/Press_Eng4-2551.pdf)>.

2 *Ibid.*

3 Kasikorn Research Center. See: <[www.kasikornresearch.com/portal/site/KResearch/rsh\\_d/?id=19586&cid=3](http://www.kasikornresearch.com/portal/site/KResearch/rsh_d/?id=19586&cid=3)>.

4 Ministry of Labour. See: <[www.mol.go.th/info\\_Mar0409\\_2.html](http://www.mol.go.th/info_Mar0409_2.html)>.

and the rising competition, as many laid-off workers attempt to join their ranks.

As the economy worsens, women, in addition to lower incomes are expected to face greater burdens, said Usa Lerdsrisuntad, programme director of the Women Foundation. In cases of divorces or separation, a rising trend in Thailand, the responsibility of child rearing continues to fall disproportionately on women. The National Statistic Office reports that 30% of children from single families are under the sole care of their mothers. With less money, it is feared that many women will cling on to abusive relationships in order to minimize the economic hardship on their families. The lack of Government support for child rearing combined with a weakening economy is also likely to drive more women into the sex industry and/or overseas jobs arranged through human trafficking rings.

Since they are one of the most vulnerable groups in society, children are the ultimate victims of any crisis, whether economic, social or political, asserted Chettha Munkong of the Children Foundation. School drop-out rates are on the rise as students join in their families' efforts to meet economic needs. For those who are able to remain in school, children's rights advocates also worry the crisis may have already impacted the quality of their education. Facing tougher economic constraints themselves, more and more teachers are spending less time in the classroom and more time seeking supplementary income.

The rapid economic expansion of the past decade, combined with increased constraints on their ability to sustain their livelihoods through natural resources, has thrown an increasing number of ethnic minorities into the informal workforce. Thus, for the first time, some of these communities will be directly suffering the impacts of a recession. Sea Gypsy communities, for example, have gradually been entering the hotel and tourism industries, but with tourism already off 20%, jobs are disappearing. With no formal education, and facing far greater competition from other unemployed workers should new jobs materialize, the impacts to these and other marginalized communities may last the longest.

## Governmental responses

In January 2009, the Government issued a USD 4.5 billion economic package that included tax cuts, expanded free education, subsidies for transportation and utilities, and cash handouts for low-wage earners. Two similar packages have been anticipated before the year ends. Although Thai society welcomed this speedy response, the direction of this policy and the handling of its implementation have raised many concerns.

One of the most controversial measures was the one-time THB 2,000 (USD 57) cash handouts to government and private-sector employees earning less than THB 14,000 (USD 397) per month. Even those eligible for the fund criticized the policy as blatant populism as opposed to a meaningful stimulus. For example, the vast majority of workers in this category are in the informal sector, and are thus ineligible; this also raises the issue of gender discrimination, since the vast majority of women are working in the informal economy.

Social activists such as Budit of Arom Pongpangan Foundation are also critical of the top-down structure and lack of transparency of the fund's management that provides a fertile environment for corruption. For example, the THB 7 billion (almost USD 199 million) designated for retraining 240,000 workers will be available only to State agencies with limited accountability, not to the local administration organizations and community professional associations which work more directly with the unemployed.

To complement its stimulus plan, the Government is also working on a major overhaul of the regulatory structure for financial markets. However, contrary to many other countries that are establishing greater safeguards to protect consumers and their economies, Thailand is moving towards wholesale deregulation and liberalization to increase the role of the capital market in developing the economy. It is feared that this initiative, led by many of the same people involved in the 1997 financial crisis looking exclusively for short term gains, will pave the way for a new crisis as soon as the country is again on its feet.

Civil society groups point out that the biggest flaw in the Government's stimulus policy is its lack of a coherent strategy. There is no vision for how Thailand might utilize stimulus resources to help address some of the root causes of inequality and of the persistent social and economic hardship that the majority of the population suffer. Surichai Wankao, director of the Social Research Institute at the Chulalongkorn University, points out that the package fails to provide a rudder for an economic policy that for too long has been at the whim of multinational demand, leaving the country vulnerable to global market volatility. In many respects, it resembles similar programmes launched during the 1930s: make-work projects and hand-out programmes that in the end do little more than offer temporary assistance and no contribution to the foundation of a stronger economy or society.

To build a more resilient economy the country must implement strategies that strengthen domestic consumption of domestic products. Advocates cite the success the tourism industry has enjoyed in recent years, marketing to domestic tourists to offset reductions in demand from foreign tourists. A much better starting point, however, would be to support food security and safety. With such a strong and still largely decentralised farming sector, policies, incentives and regulations aimed at organic food production could have far-reaching effects on both the domestic economy and public health. World Trade Organization concerns aside, if regulations are placed on both the use of chemicals and banning products that contain them, Thailand would immediately gain a competitive advantage over imports. Many farmers are already using organic methods merely as a means to reduce the cost of inputs, with little access to any distribution network where their products could receive premium prices.

To further aid farmers in rural areas, the issue of land reform is also a key, added Prayong Doklamyai, coordinator of the Northern Farmers' Network. Pre-

sently, 90% of Thailand's land is owned by 10% of the population. At minimum, a highly progressive tax structure should be put in place for land ownership, as well as purchase assistance for first-time buyers, particularly in the agricultural sector. Such programmes could be tied to organic farming policies so they help encourage new land holders to shift toward these highly valued crops.

Another area where Thailand must look inwardly is energy. Nearly 90% of oil is imported, eating up 10% of the country's GDP. This represents a lot of money and jobs that could be a part of an expanded alternative fuels programme, should steps be taken to support it. Similarly, incentives should be given for alternative homegrown energy generation/savings technologies to halt the country's march toward purchasing nuclear power stations and erecting coal-fired power stations.

The Government should be working to stimulate cleaner, domestic energy supplies as part and parcel of a plan to address the challenges of climate change. Leading scientists and economists have shown how the catastrophe is rapidly approaching Thailand's shores and that now is the time to do something to prepare for it. Government agencies need to gain expertise and technologies to better understand the changes the country will face, and the adaptation strategies required for both the economy and society to navigate a climate-resilient future.

The farming sector is critical to this preparedness. Drought is already a more frequent problem, and with major changes in rainfall patterns projected, farmers need to have alternatives for new crops, cropping patterns and farming techniques. Stimulating domestic research, testing and implementation of these new approaches should be a top priority to ensure a viable farming sector.

Efforts aimed at strengthening the economy must not be the sole focus of the country's response to the current crisis. The evolving role of the welfare State is equally important. Following the success with the implementation of universal healthcare during the past decade, civil society groups feel that now is time to explore retirement benefits that would cover the majority of people, whether working in the formal employment sector or not.

## Opportunity

If there is any silver lining in the current economic crisis, it is that it presents the opportunity to take a hard look at the factors that created it and the strategies to be deployed in order to avoid its recurrence. Tax breaks, worker training, and re-regulation of financial markets can provide valuable stimulus, but only if the target lies beyond a short-term recovery. Change will have to come from an invigorated social movement, supported by academics and entrepreneurs. Thailand is no stranger to such mobilizations, which generated its "People's Constitution" – a landmark in democratic political reform, the first in the country drafted by an elected assembly – in 1997. The question however is whether such a movement can happen quickly enough to have any impact on the Government's response to the current crisis. ■