

A decade ago, two landmark events took place in Thailand. In July 1997, the Thai baht was floated, triggering the Asian financial crisis, one of the severest tests the country, and the region, had ever faced. Then in October, the People's Constitution, as it became known, was promulgated, creating the hope of comprehensive political reform to strengthen democracy and put an end to modern Thailand's cycle of coups and fragile, corrupt elected governments.

People's

**The Way Forward
for Thailand
By Abhisit Vejjajiva**

TODAY, 10 YEARS LATER, these two events still provide useful reference points to assess Thailand's economic and political situation. As far as the economy is concerned, there is no doubt that Thailand proved its resilience by recovering from the financial crisis of 1997. Foreign reserves now exceed total, not just external, debt. The country continues to run a current account surplus. Government finances are sound and non-performing loans in the financial system have been reduced to acceptable levels. Yet with the recent appreciation of the baht, the lack of competitiveness in many sectors has been exposed. Also, with the emergence of China, India and Vietnam, it is clear that Thailand faces considerable economic challenges in the years ahead.

On the political front, initial developments suggested that the 1997 constitution really was

gling should come as a surprise. Prior to the 1997 crisis, the Thai economy had been one of the fastest growing in the world. Natural endowments enable Thailand to continue to be one of the few food exporters in the world. A strong manufacturing base in a number of sectors has been firmly established, and anyone even slightly familiar with the country would concede that the potential in the service sector is huge.

Furthermore, past success has been achieved by embracing competition, through opening up the economy and adhering to market principles. With strong social cohesion and a liberal political regime, the country appears to have all the basic ingredients to thrive in the age of globalization.

Politically, despite the cycles of coups and elections, government instability did not generally create policy uncertainties and the relatively free

Agenda

transforming Thai politics. But then the systematic abuse and violation of that constitution, ironically by a strong government empowered by the new charter, finally led to a coup d'état in September of last year. Despite the likely return to elections by the end of this year, a lot more needs to be achieved before Thailand can attain the kind of democracy it had hoped to put in place through the reforms of a decade ago.

THAILAND'S STRENGTHS AND PROBLEMS

In many ways, the fact that Thailand is strug-

atmosphere usually allowed political differences to be resolved peacefully, if not always democratically. The coup last year was bloodless, even greeted with flowers, and pro-democracy forces are strong enough to pressure coup leaders to pledge a quick return to elections.

There is no reason why Thailand cannot prosper in this time of incredible global change and opportunity. Technology is opening the world to us in new ways. The global economy is filled with new possibilities. Yet to move forward, Thailand has to face up to its problems. The fact is too many

Thais are being left behind. Even as this region races ahead, too many of our people face stagnating incomes and rising prices. The fault does not lie with them — Thai people have so much energy and resourcefulness. The fault does not lie with this new global economy — it is an engine of growth and opportunity that can provide a strong stimulus for Thailand’s own growth.

The fault lies in our leadership and government. During the years of former Prime Minister Thaksin Shinawatra, corruption and cronyism drained wealth and opportunity away from the Thai people. During those years also, despite strong economic growth and measures to help

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the poor, policies were too often designed with a short-term view and political gain in mind. Many structural problems were left untouched, even exacerbated, while many good initiatives were poorly implemented or not followed through. The current undemocratic regime has proven to be too slow and unresponsive to handle the challenges. With unfortunate missteps such as capital controls and proposed amendments to the Foreign Business Act, the government has created an atmosphere of uncertainty and doubt about the country’s direction. Added to this is the escalating unrest in the far South, where the loss of lives and the effect on confidence require determined leadership.

To move forward then, it is time for a change. It is time to move beyond the corruption that robs the people of their money, and the inaction that robs the people of their hope. It is time for a new period focused on the people. It is time for the People’s Agenda that puts the Thai people first. The People’s Agenda has four main elements; the restoration of democracy, investing in people, reviving the economy, and the return of peace to the far South.

THE PEOPLE’S AGENDA I: RESTORING DEMOCRACY

First, and above all else, we must restore our democracy. Casting ballots does not solve every problem, but without a government elected by the people, one which the people can hold to account, there is little hope that the Thai people can have a government that responds to their needs. Hence, it is imperative that there be elections for a new parliament as soon as possible, preferably before the end of this year.

The new constitution is likely to be far from perfect, as one would expect from a document drafted after a coup d’etat. But the more undemocratic proposals have been opposed and removed. Whatever the outcome of the referendum, the country will likely end up with a constitution whose structure is similar to the 1997 constitution. The important thing is for the country to move on. Any imperfections can subsequently be amended by representatives elected by the people. But a real democracy means more than just voting. It requires real competition among groups and ideas, and real civil liberties. New parties must be allowed to register as soon as possible. Elections must be free and fair.

Furthermore, the country needs to ensure that last year’s coup is its last. To do so, lessons must be learned from the previous decade. Democracy and democratic principles must be protected not just from the military, but also from abuses and

violations by elected governments. The public must defend the rule of law, the basic rights of people, the freedom of the media, and the professionalism of the civil service. Many new laws will be required, existing ones strengthened and efficient non-discriminatory enforcement assured. Corruption must be tackled systematically by making government more transparent and accountable through bureaucratic deregulation, political financing reforms and enhancing people's participation in politics.

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THE PEOPLE'S AGENDA II: INVESTING IN PEOPLE

The second part of the people's agenda is improving the lives of people. Life does not come with guarantees of success, but what the government can ensure is that it comes with ladders of opportunity and help when things go wrong. Much already exists that can be built upon. Universal coverage and free health care must be retained and improved through a more transparent financing scheme. Social Security can be expanded to cover the informal sector and family members. Many community savings and welfare schemes can be given new incentives to expand.

But the most important way to invest in people is through education. A new knowledge economy is flourishing in this region and around the world. It is vital that every Thai child, from Bangkok to the most remote Northeast village, receives the instruction, training and skills they need to succeed. Today that is not happening. Too many families simply cannot afford to send

their children on to secondary school, given the costs of books and supplies.

It is time to change that. It is time to ensure that secondary school is both available and affordable for every family across the length and breadth of Thailand. High quality secondary education must be made genuinely free. The future of the country must include a new generation of smart, curious, talented, energetic Thai children. At the higher level, there is a need for intense vocational training to address the skills shortage problem.

Only by investing in people can Thailand raise its productivity and competitiveness in the global economy. This is essential given the emergence of China and India as giant economic powerhouses and Vietnam as a lower cost competitor. Also, by having a better safety net and welfare system, Thailand can help its people to cope with competition and volatility in the market system.

THE PEOPLE'S AGENDA III: REVIVING THE ECONOMY

The third part of the People's Agenda is the revival of the economy. Here there is need to shift gears, so that factories, shops, and farms can overcome this period of stumbling and stagnation, and start running at full speed.

The revival must begin with courageous leadership. Thailand can no longer pretend that it can hide from the global economy. Ways must be found to benefit from intense global competition. This simply cannot be done by suffocating under outdated regulations that repel foreign investors, kill jobs, and keep prices artificially high. Capital controls and the Foreign Business Act amendments are simply not appropriate for a modern country in a global era. They must be reversed to tell the world that Thailand has the courage to meet the challenges, to be modern, to be open, and to thrive. After all, Thailand's best periods of growth and prosperity came

during our greatest periods of openness to the world, so with courageous leadership Thailand can be open and prosperous again.

That is not to say that Thailand can open up and liberalize wholesale without a strategy. Public interest can and must be protected, but through globally accepted mechanisms such as consumer protection laws and enforcing fair competition. The opening should also lead to clear linkages to the domestic economy so that liberalization truly means more opportunities,

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more jobs and higher incomes. A strong domestic economy is also needed to correct the recent imbalances where growth relied too much on exports driven by a weak currency.

A key part of this strategy is to revive the rural economy, which would provide a strong foundation for the whole economy.

The rural sector can help lead an era of new prosperity. Thailand is well placed to take advantage of the need to produce alternative fuel. A fresh drive to use cane sugar and tapioca to produce ethanol can achieve a threefold objective — less reliance on imported energy, a better environment, and higher incomes for the

farmers. There is also much room to increase productivity in value-added rice and rubber products, of which the country continues to be a leading exporter.

This plan will involve heavy investment in rural infrastructure, particularly roads, rail and irrigation. Added to investment in people and a better system of governance, this would not only give fresh opportunities to the rural population but also help reduce logistics costs to all sectors of the economy. The current level of logistics cost, at around 20%, is simply not acceptable.

Other policies to help revive the rural economy should include the creation of a “rural fund” to support small enterprises and jobs in villages through the principles of the sufficiency economy philosophy of His Majesty the King of Thailand, a philosophy which encourages hard work and consumption appropriate to one's means and ability.

Moreover, there remains plenty of unexploited potential in the service sector, which has remarkably shrunk as a proportion of gross national product (GNP) over the last decade. Thailand's competitive edge in tourism, healthcare, and parts of the entertainment industry must be used to create prosperity in a more systematic and integrated approach.

Finally, Thailand can prosper through stronger economic integration within the Association of Southeast Asian Nations (ASEAN). With the imminent appointment of Thailand's Surin Pitsuwan as the group's Secretary-General, the country must seize this opportunity to drive the program of integration, making ASEAN a relevant force again. This will require strong political will and leadership to face up to protectionist instincts in the region as well as sensitive issues such as Myanmar. The new charter for the group must be willing to change some modes of past operations and reflect the urgent need to achieve the above objective.

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THE PEOPLE'S AGENDA IV: PEACE IN THE DEEP SOUTH

The final part of the Agenda is to end the violence and restore harmony in the South. The conflict in the country's three southernmost provinces — Yala, Pattani, and Narathiwat — is an open wound. It is taking too many lives. It is terrorizing too many people. It must stop.

For too long, the previous government aggravated the violence in the South through heavy-handed tactics and the destruction of local institutions that had helped to restrain local tensions. The current government tried to correct that course. But they are too closely tied to the military to be effective, and they are too conservative to move with the kind of imagination and speed that is demanded by this conflict.

Restoring peace must begin with better coordination among key government agencies and a strategy that involves decentralization and true participation by the local people. Injustices of the past that help to perpetuate the violence must be confronted to win back the trust of the local population, both Muslim and Buddhist.

Dramatic new steps to spur the economy of the three provinces must also be taken in ways that respect and build on the local culture and

way of life. Great advantage can be taken of the surplus petrodollars and new Islamic financing instruments. Heavy investment in education and training in these provinces must be made so that young people have better options than joining the unemployed or joining the terrorists. With better schools and job opportunities, the young people of Yala, Pattani, and Narathiwat will have a ladder that can lead them upward — away from violence, away from terror, and towards harmony as peaceful citizens of a united Thailand.

TIME TO MOVE FORWARD

Years of corruption and political impasse have taken their toll on Thailand and its people. The country can ill afford to lose more time. The agenda I have outlined puts the Thai people first, and should be implemented as soon as possible. While ambitious, the plan outlined here is both affordable and achievable. Although it involves substantial public investment, the country's fiscal position is strong, the ratio of public debt to gross domestic product (GDP) is low, reserves now exceed external debt and the current account is still in surplus. Moreover, the capital markets have much unrealized potential, with the equity market having one of the lowest price-to-earnings ratios, and the debt market half the size of what it should, and could, be.

The upcoming elections will provide a golden opportunity for Thailand to establish a turning point, build on the fundamental strengths of the country, address past weaknesses, create the momentum to restore confidence and propel the country towards a stronger, more prosperous and fair Thailand for the benefit of the Thai people and their partners in the world.

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