



Money Politics, Globalisation, and Crisis

The Case of Thailand

Exploring
New Paths
Towards
Sustainable
Development

John Laird

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and Crisis

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Thai people are happy that the International Monetary Fund came in and took over our economic sovereignty, because we do not trust our government. At least we hope the IMF would be as incorruptible as we think, and see to it that the people in power here would manage the IMF fund with integrity and honesty. . . .

Anand Panyarachun, former prime minister, at the Foreign Correspondents Club of Thailand in August 1997, following Thailand's financial crash.

Politics in Thailand is so backward that it cannot follow economic development, and even tries to pull down the economic achievements.

Dr. Arthit Ourairat, former speaker of the House of Representatives and former minister of health, at the Foreign Correspondents Club of Thailand, August 1992.

In high-rise apartments, kids have no place to play. It is very bad for their development. Playing is very important. They need exercise. We don't think about this, only about making money. . . . Now, school children spend their time in supermarkets — they don't understand nature and society.

Dr. Prawase Wasi, quality-of-life advocate and pro-democracy campaigner, interviewed in January 1995.

The representatives who are elected into the Parliament are not of a high quality. . . . Political decisions are not made on a scientific basis. They are made . . . out of consideration for profits or personal benefits or group benefits. That is why our urban health is poor, because of political power plays.

Dr. Hatai Chitanondh, director of the Thailand Health Research Institute, interviewed in November 1994.

Foreword

Can Thailand, following the disastrous financial crash of 1997 and the ensuing economic recession extending into 1999, create a new vision of a satisfying, harmonious, and stable society for its citizens? This book seeks avenues towards such a society by reflecting on what has gone wrong in Thailand's quest for development, and by offering prescriptions for a sustainable quality of life for the 21st Century.

This book presupposes a certain degree of familiarity with Thailand among its readers; for example, with its political system, social structure, economy, and society. However, readers not so familiar with Thailand will still find this work valuable for the pattern of unsustainable development that it describes, elements of which are present in various shapes and forms in other developing and developed countries.

I have not attempted to be exhaustive in research, but rather have tried to draw linkages between aspects of the quality of life, environmental preservation, sustainability, and politics—while showing how false and destructive values promoted by Thailand's materialistic, status-seeking culture and its political culture have severely undermined the first three, and have ushered Thailand into economic crisis. Thailand's unsustainable politics, mired in patronage and corruption, have wrought havoc on the environment, distorted the economy, and lowered the quality of life for all Thais. These questions have become very important for Thailand as it seeks a new vision of society for the 21st Century.

The discourse offered here illustrates these themes through a journalistic approach, and proposes constructive policy suggestions for balanced and sustainable development in Thailand and globally, within the broader objective of achieving a sustainable global society. They include an analysis of Thailand's Crash of 97, an inquiry into the increasingly unstable global economy, an assessment of Thailand's 1997 "people's power" Constitution, further proposals for political reform, and

FOREWORD

an examination of an emerging and encouraging political trend: the involvement of civil society in political decision making.

My interest in compiling this book grew from my research as a journalist in Thailand, from my commitment as a United Nations official dealing with the environment, and from my academic studies in political science. During the 1990s, I had written a number of articles about environment and quality of life, published in Bangkok. I had also written about political and constitutional reform in Thailand, and delivered a lecture at Thammasat University entitled *Money Politics and the Survival of Thai Democracy*. Reflecting on those writings, I realised that there was a consistent theme running through all of them: the need to move from the present conceit in economics and politics to a genuine development that would be sustainable far into the future. It required just one more leap to link these themes together in the present book, elaborating on my previous writings and adding new material.

Finally, I wish to acknowledge my indebtedness in drawing considerably on information published in *The Nation*, with which I have had a long association. *The Nation* has not shied away from reporting on corruption and related issues, but has adopted a cautious policy in such reporting, in contrast to some sensationalist Thai-language newspapers. Thanks are also due to Tulsathit Taptim, the deputy editor of *The Nation*, who kindly read through and commented upon the manuscript for this book.

John Laird
Hua Hin, Thailand
January 2000

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INTRODUCTION

Chapter 1

Thailand Discovers the Meaning of Sustainability

It was in 1997 that Thailand discovered the meaning of sustainability.

The economic bubble that had grown since the early 1990s finally burst, taking both Thais and foreigners by surprise. The grand illusion that Thailand's high-growth economic boom could go on "forever"—fuelled by debt-driven consumption, ill-advised mega-projects, fiscal mismanagement, and political cronyism—came back to earth with a crash: the crash of the property market and the plunge in the value of the baht. The baht was cut loose from its fixed exchange rate on 2 July 1997 and steadily lost value, ending the year about 45 per cent lower against the US dollar. Fifty-six of the country's finance companies had gone broke under massive bad debts, many other companies were facing bankruptcy, and unemployment was increasing. The situation had not improved at year-end 1998.

By then, the crisis, by one estimate, had pushed the number of unemployed up to 1.31 million,¹ compared with 623,000 unemployed in 1997 and 486,000 in 1996; other estimates, however, placed unemployment somewhat higher. GDP declined by 9.4 per cent in 1998.² Thailand's total foreign debt stood at around 70 to 80 billion dollars by year-end, according to various calculations.

The poor, or nearly-poor, were being hit the hardest by unemployment. In addition, wages for the less-educated were falling. Between 1996 (the beginning of the economic downturn) and 1998, about one million additional Thais were forced below the poverty line, defined as living on less than US\$1 per day. In 1997, the total figure stood at 14.7 million people out of a population of 60 million. These figures were published

in January 1999 in a World Bank report, *Thailand Social Monitor: Challenge for Social Reform*. The report warned of a possible breakdown of society, and called for a redoubling of efforts to mitigate the short term impacts of the economic crisis on the poor. It called for drastic reforms to be introduced.³

As 1999 began, a social crisis was apparent, driven by business failures, increasing unemployment, and a fall in household incomes. There were fears (which later proved to be unfounded) that the economic downturn would cause a dramatic upsurge in the number of children suffering from low-level malnutrition and in the number of children dropping out of school around the country. Thailand had achieved good indicators for health in pre-Crash days, but had not put into place an effective *social safety net*, largely because rapid economic growth had diverted attention from the need for such a measure to cope with social adversity.

The World Bank, in assessing the East Asian crisis as a whole, noted in January that:

Inefficiencies in the public health and education systems which existed prior to the crisis are now being exposed, as demand for low-cost social services increases. Over the long-term, declining health and malnutrition will affect worker productivity, reducing future growth, and delaying the recovery. The impact of malnutrition and the removal from schools will be especially hard on children, who may suffer from stunting and poor cognitive development as a result.⁴

However, by July 1999, the World Bank had modified its January assessment, in its subsequent issue of *Thailand Social Monitor*, noting that new data showed that Thai families and Thai policy makers had cushioned and in some cases eliminated expected negative consequences of the crisis in health and education. The report asked:

Did education and health outcomes decline during the crisis, as predicted? Did use of services, such as school enrollments and visits to public health facilities, go down during the crisis, as was expected? Did families cut back on vital social expenditures so they could spend their reduced incomes on other priorities?