

# THE FOURTH MAN

Abhisit Vejjajiva is the latest to lead Thailand in a tumultuous 12 months. Does his Democrat party herald economic reform or simply a new round of governmental intrigue?

By Eric Ellis

THAILAND'S LATEST PRIME MINISTER, **ABHISIT VEJJAJIVA**, SAYS HE CAN'T COOK.

Perhaps that's just as well. One of Abhisit's predecessors lost his job last year after a Thai constitutional court ruled he couldn't also be a celebrity TV chef. But the 44-year-old Eton- and Oxford-educated Abhisit is not running a restaurant, he's trying to run a country, a deeply fractured one that is now plunging into a crippling recession.

Abhisit is the country's fourth leader in 12 months. The economist son of an aristocrat academic, he came to power Dec. 17 after pro-monarchy demonstrators blockaded Bangkok's international airport until the government fell. That siege cost Thai businesses more than \$8 billion in lost tourism and trade revenue, and inflicted incalculable damage on Thailand's reputation.

He's pledged to restore Thailand's standing, but Thai and foreign investors, fatigued by all the strife, wonder whether the soft-spoken intellectual can succeed. They note that his immediate predecessors, and the Thai military, have failed to bring unity, peace or the rule of law to a country scarred by deep divisions—between rural and urban, north and south, Buddhists and Muslims, the military and civilians. “The numbers are bad, and we need to turn things around,” Abhisit says in an interview with FORBES ASIA in Bangkok's Government House, where the trampled dirt of the once-verdant grounds betrays the chaos wrought by the thousands of protesters who occupied the complex just weeks earlier. “But one month on we are certainly making progress in calming things down, in getting the business of government back to normal, in putting Thailand on the map and saying we are back in business.”

“Obviously you can't expect all the remnants of the divisions to disappear in one month, or maybe even in six months. But I think people can feel the difference. We are back here in Government House, we have a functioning government. Protests still exist but in smaller numbers, and the government certainly has not escalated any kind of division or conflict. There has been change, and I think people can feel it.”

The task facing Abhisit is monumental, and there's no guarantee he'll last long enough in power to tackle it. His Democrat Party's parliamentary majority relies on a tenuous—some say unholy—deal with a feared power broker, Newin Chidchob. Abhisit gave Newin control of key ministries after Newin switched his faction from the charismatic former prime minister, Thaksin Shinawatra, the billionaire who took on the entrenched establishment during his five years in power but was ousted in a 2006 military coup. That deal may have robbed the youthful Abhisit of an Obama-like sheen, but it's not just Parliament where his longevity is tested. He also relies on backing from the powers that be: monarchists, the military and Bangkok's business elite, which are gathered in a well-organized movement called the People's Alliance for Democracy.





**Korn Chatikavanij**

The PAD showed its muscle by mounting the airport siege, and sustained blockades of Parliament and Government House that ousted two elected Thaksin-friendly governments. Now with the monarchist Abhisit as prime minister, the PAD's "yellow shirts"—per their royal-hued uniform—seem willing to cut him some slack, and movement leaders have even become part of his administration. But Thais ponder for how long, and at what cost.

Meanwhile, Thaksin remains a fugitive from corruption charges, running up big telephone bills as he lobbies for support from his floating exile in London, China, the Bahamas and Dubai. Thaksin stacked Abhisit's civil service with supporters during his years in power and now he seems to have adopted the PAD's "people's power" methods, spawning a mass movement of pro-Thaksin forces gathered in red. But as Thais struggle with a slumping economy, increasingly anxious foreign investors fear another airport seizure, or worse, from Thaksin's "red shirts." "It's yet another division this country doesn't need," says Robert Penalzo, Thai country chief for fund manager Aberdeen Asset Management.

**Finance Minister Korn expects that Thailand will post 1.5% to 2% growth in GDP this year. That's at the optimistic end of forecasts.**

In the wide-ranging interview, his first with a foreign publication since taking office, Abhisit is adamant that his government is secure. He says he doesn't fear Thaksin or his red shirts, the military or indeed his own erstwhile allies in the PAD. Far from being a puppet of the military and the monarchy, as some contend, Abhisit insists he is his own man with an unshakable commitment to democracy and the rule of law. He also says he will have zero tolerance for corruption, long regarded as a major obstacle for foreign investment.

"They [the red shirts] can have a movement. They

can speak their minds, they can spread their message, but they can't break the law; that's where we draw the line," he says, adding that he will press for Thaksin's extradition to face the corruption charges. He insists that his commitment to the rule of law "obviously" extends to his own "yellow shirt" supporters in the PAD, who are Democrat members in some cases. "I will reiterate, because there's been a number of reports and comments, particularly in the foreign press, that somehow we are letting the cases [against the PAD leaders] remain idle. That is not true. All cases are progressing, and I told the police chief that he must be impartial.

"For a long time people felt that political instability hadn't affected policy direction and the economy so much. But I think that began to change two or three years back when systematic corruption and conflicts of interest were threatening the governance

of the economy. And then the coup affected the confidence of the international community, and then all the protests, which looked to be more divisive and at times more violent than people had seen before in Thailand."

Abhisit outlines five priorities for his administration. The first, he says, is a quick restoration of order and stability. "Without that we don't have an environment to achieve anything else," he says. "I think we've done that, not completely, but we made enough progress to make things function again."

Next comes the economy, which shrank by 3.5% in the fourth quarter, the finance ministry estimates. "Exports dropped heavily in November and December, so it's urgent that we turn that around," he says. "With the global financial crisis, we can't expect exports and tourism to be the main drivers, so that means we turn to the domestic economy, and the priority is to ensure that we sustain people's purchasing power."

Abhisit's finance minister is an old Oxford school chum, Korn Chatikavanij, also 44. A former Thai country head of investment bank JPMorgan, Korn is well regarded by the markets. While his \$3.35 billion economic stimulus package was criticized by business as not going far enough, the World Bank said it was sufficient to shield Thailand from the global economic crisis in the short term but urged more action later. The measures are a

### Abhisit and Korn plan these economic moves:

- Implement a \$3.35 billion stimulus package that includes direct cash handouts of \$58 a person to the poor.
- Extend one-month entry visas to three months to boost the wounded tourism sector.
- Enact regulations to break industry monopolies.

#### But they'll delay these steps in the current crisis:

- Major tax reforms, such as lowering VAT.
- Privatizations.



### SHAKY GOVERNMENT, SHAKY ECONOMY

Hit hard by political turmoil last year, Thailand's economy—the eighth biggest in Asia-Pacific—is now probably in a recession.

<b>GROSS DOMESTIC PRODUCT</b> (fourth-quarter estimate):	– 3.5%
<b>MANUFACTURING PRODUCTION INDEX</b> (December vs. December, 2007):	–18.8%
<b>FOREIGN TOURIST ARRIVALS</b> (2009 forecast):	–5.6%
<b>SET INDEX</b> (since recent high, Oct. 29, 2007):	–52%
<b>BAHT VS. US\$</b> (since recent high, July 20, 2005):	–17%
<b>CONSUMER PRICES</b> (2009 forecast):	–1.5%

Sources: Bloomberg; Bank of Thailand; J.P. Morgan.

mix of cash handouts for the poor, tax cuts, education loans and subsidies for transportation and utilities. Other moves in the works include a two-month extension of the one-month tourist visas. Korn told FORBES ASIA that he expects his package to kick-start the economy in the second half of 2009, and that Thailand will post 1.5% to 2% growth in gross domestic product this year. That's at the optimistic end of industry forecasts. Charl Kengchon, chief economist at Thai bank Kasikorn, expects 1% growth in 2009 and warns anything less could be "political disaster" for Abhisit and Korn.

Abhisit also pledges to defuse the gathering insurgency in Thailand's mostly Muslim south along the Malaysian border, where more than 3,000 people have died in a five-year separatist conflict. "For the past few years the approach of the government has been that this was a matter for the security forces and that somehow you could use force to either contain or reduce the problem," notes Abhisit. "The approach of my government is different. We said development is the key, justice is the key, and we already have been down south. I went with a number of cabinet ministers, so we can pursue an economic, education and cultural agenda parallel to the work of the security forces. Our main message is that this issue is a high priority for the government, and I am not leaving it to the police and the armed forces."

But that could put Abhisit on a collision course with Thailand's military brass. Thailand's south is regarded as a military preserve, and Thitinan Pongsidhurak, a political scientist at Bangkok's Chulalongkorn University, says that with his civilian background Abhisit will have to tread gingerly to keep the generals happy (and at bay). "He won't do anything to upset the military," says Thitinan.

Asked if the era of military coups is over—Thailand has suffered 18 in its 77 years as a constitutional monarchy—Abhisit says, "We hope so, I would have said 'yes,' but I've had a number of lessons. After 1992 we were very determined that the 1991 coup was the last one. But it's sad to say that during the Thaksin years they were dragged back into politics. Every time there's a coup now, the military learn a hard and more expensive lesson that, though they might get cheers from people when they come in to restore order, they are not in a position to govern.

"Part of the mistake of the Thaksin years," Abhisit says, "was involving the military as a political tool, creating the reasons or excuses, depending on how you see things, for a coup. If you look back at the history of coups, you can always list the reasons in the first announcement of the coupmakers: corruption is on top, division, violating the monarchy. It's always been like that. If we eliminate these conditions, there's no reason why there should be one."

Another sensitive area is the monarchy. The truth that dare not speak its name in Thailand is what will happen on the death of the increasingly frail King Bhumipol, who at 81 after 60 years on the throne is the world's longest-reigning monarch. Any discussion of the royal family's status is sensitive, but foreign investors fear that his passing could prompt further political chaos between the monarchists struggling for power and any emergent republican movement, especially one backed by Thaksin. Abhisit says *lèse-majesté* laws that curtail criticism of the royal fam-

ily have been "abused and misinterpreted" and that reform of the laws is necessary. But he also knows he has the support of the palace and is careful when asked about any threat to the monarchy. "I think the last few years have seen attempts to draw the monarchy into political conflict. It's not good for the country, and I've made clear that we would like to make sure that the monarchy remains above all kinds of conflicts because this is an institution that is revered by the Thai people."

Completing the Abhisit agenda are education and government reform. "The country needs to upgrade the education system, upgrade the skills of our people to remain competitive," he says. "And I don't want the current crisis to make us forget that we have to continue to make progress in a number of areas: taxes, public sector, governance issues, infrastructure, technology."

Economists agree on Thailand's urgent need for reform but argue that in the teeth of an economic and political crisis, now is not the time. Abhisit disagrees. "I don't want to make that mistake. When we were in government last time, we initiated a number of reforms: education, public sector reform, decentralization. When times are good, people don't see the need to do things differently. When things are not so good is the time to motivate the public to see we need to make changes."

Analysts doubt whether Abhisit has the right stuff to crack heads if need be; they say he's not ruthless enough. "I don't think he's a particularly skillful politician," says Chulalongkorn's Thitinan. Abhisit counters that what is needed is hard work, and that Thais are sick of constant politicking and division. "A lot has been made of this urban-rural division," he says. "It's a misinterpretation of what's been going on. The division has been about how people see governance in this country. Some groups put emphasis on majority rule, others on accountability and transparency, and I want to see both. We've had a series of by-elections and I think the results show a clear desire of people to get things back to normal. The mood of the people is, 'Let's get to work.'" **F**

**"Part of the mistake of the Thaksin years was involving the military as a political tool, creating the reasons or excuses, depending on how you see things, for a coup."**