

The New Foreign Economic Policy of Thailand and Its International Implications*

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The landslide win by the Thai Rak Thai Party in the general election of Thailand in early January this year has imbued many Thais with a heightened sense of intrigue toward impending policy changes. The Thai foreign economic policy is no exception, especially with a new, young foreign minister at the helm of the foreign ministry. Many questions can be asked with respect to the impending changes in the new foreign economic policy. What has been promised by the new administration? Is it really a new policy? Who are actually involved in the making of Thailand's foreign economic policy? And, perhaps most important of all, would the 'new' policy change the practice and outlook of Thailand with regard to its international economic behavior, commitments and obligations? These questions will be discussed in turn.

THE 'NEW' FOREIGN ECONOMIC POLICY

What could be considered a new foreign economic policy is contained in Section 4 of the Official Government Policy Statement. Although it is true that some elements of foreign economic policy can also be found in other parts of the official policy statement as well, such as those on agricultural policy and communications policy, the main thrust of the new foreign economic policy is found in this Section 4. Let us take a look at this section.

The first impression one gets from reading this section is that the new government and the new foreign minister are very serious about their pre-election campaign promises to change the foreign economic policy of Thailand from the one based on 'traditional diplomacy first, economic matters second,' to the one that stresses 'overall economic gains first and everything else second.' This is obvious from the opening statement in this Section, which says that ... "The Government is determined to elevate the international trade policy from one solely emphasizing the acceleration of exports at all levels to one focused on developing a global marketing

network system able to respond to the rapidly changing needs of consumers, thus integrating the Thai economy as part of a powerful global economy in a borderless world." Then the policy moves on to divide the issues into trade and finance. On trade, the government would like to develop Thailand into a center for global trade in goods and services, and to do so, it has to be able to develop its own products (agricultural as well as manufacturing) and services (including tourism and communications systems) that are world-class and world-recognized. This orientation toward global outreach, to go beyond traditional trade with traditional partners, could be the most vivid intention of this new policy.

Once the goal is set, the next step is how to reach it. Again, the government came with a clear answer: the local private sector or private businesspeople will be promoted to do the above. The government will promote Thai businesses to be able to obtain technology and intellectual property from all sources, and develop them to create value-added by enabling such businesses to diversify their production. If we can accept what could be perceived as an existing situation that the Thai business sector is not very innovative and Thai businesspeople and entrepreneurs often buy and use foreign technology for their own quick financial returns without too much concern for their own innovations, then what is aimed here by the new government is a new policy. We can find similar reference to this same Thai-owned or Thai-initiated value-added in other parts of the policy statement too. For example, in the sentence following the one referred to above, the government plans to promote the establishment of a fund to provide the opportunity for Thai investors and entrepreneurs to develop and utilize unique Thai know-how and indigenous intellectual property rights with full treaty protection. In agriculture, the new government wants to develop Thailand as a center for the production of organic agricultural products. In industry, the government will support measures to increase value-added in industrial production, and will support the growth of new entrepreneurs in small- and medium-sized industrial businesses in the new

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knowledge-based economy. In services, the government will help local businesspeople by instituting zoning measures and relevant regulations to counter the threat of takeovers and dominance by large-scale retail businesses which are mainly owned by foreign companies.

On international finance there is no clear statement in the new policy. The government did say in the economic policy part that it wants to implement exchange rate policies that facilitate economic recovery as well as the process of income creation for the people from all levels. No further details or elaboration are given anywhere. But it seems that whatever international finance issues that may be forthcoming, the government's direction is clear: that it will try to do what it can to protect local business interest as against foreign interest. The concern for local business interest is paramount and shows up here and there throughout the official policy statement.

WHAT IS AND WHAT WILL BE: POLICY THAT IS NOT IN THE OFFICIAL STATEMENT

Perhaps what the new government has said it wants to do in writing and what it wants to do in reality may not be the same. So, what the policy is and what the real action will be may have to be considered together. This is the case for looking beyond the policy statement to other indications for policy directions. In this connection, the 'body language' of those who are involved in shaping the foreign economic policy, the Prime Minister himself, or the Foreign Minister, or other ministers or party leaders, may reveal the true intentions not found in the policy statement. There are some indications about the change in foreign economic policy that can be gleaned either from relevant interviews or public comments by these ministers or leaders, or from other activities.

On Myanmar

Both Drs. Thaksin Shinawatra and Surakiart Sathirathai visited Myanmar in June last year—well before the general election—in order to acquaint themselves with Myanmar's military leaders and perhaps in preparation for the pursuance of their new Myanmar policy if and when they got into power. Soon after the election result was known with Dr. Thaksin expected to be the new prime minister, he had indicated that he would make an official visit to Myanmar as his first foreign visit in the region.¹ Why Myanmar is so important in the eyes of these two political leaders? For one thing Myanmar offers a potential base for economic expansion of Thailand. In the past several years, especially during the government of Mr. Chuan Leekpai, the relationship between Thailand and Myanmar was lukewarm at best because the former foreign minister in the Democrat Party did not like the way the Myanmar military regime conducted its domestic political policy. This had

prevented any serious economic cooperation while other East Asian countries, namely Singapore, Malaysia and Korea were securing strong and extensive economic foothold in Myanmar already. So, in order to fulfil the objective of making Thailand the center for trade in goods and services in the region the economic relations with Myanmar must improve, and that requires the change of basic policy from political engagement to economic engagement.²

On China

Again the two leaders went to China in October last year after their visit to Myanmar. They recognized, rightly perhaps, the important role that China will play in the East and South-East Asian regions in the near future. In China, they had asked for the same trade concessions that China gave to its southern neighbors, claiming that Thailand also shares the same Mekong River. More importantly, the Thai Rak Thai leaders were informed of the new economic plan of China which encourages Chinese investors to invest in foreign countries and under which a special fund has been set up for the promotion of investment in ASEAN countries, especially Thailand. Obviously the two leaders would like Thailand to be the first place where these Chinese investors will land. Closer economic relationship between Thailand and China may be a result of a likely prospect that China will soon become a world economic power, and Thailand wants to maintain even closer relations with this giant northern neighbor.

On IMF and WTO

That the International Monetary Fund (IMF) liked the way the former government handled the management of the economic crisis was no secret. So it is only natural that the Thai Rak Thai will do things differently from the Democrats. Both Drs. Thaksin and Surakiart had indicated that they would negotiate with the IMF for the readjustment of the debt payment schedule so as to avoid repercussions on the country's foreign reserves and balance of payments account. The new government also supports the setting up of the Asian Monetary Fund (AMF) backed by Japan, an idea that was originally opposed by the IMF. As for the World Trade Organization (WTO), the government probably would not propose anything that will bring about more free trade obligations unless it can be proven that the liberalization process will not harm Thai businesses, society and the recovery of the Thai economy (See more on this point later).

PERMANENT BUREAUCRATS AND TRANSIENT POLITICIANS

As transient politicians are not the only ones who decide and run foreign economic policy in Thailand, some attention must also be given to others who also

have a part in deciding and running foreign economic policy of Thailand: the permanent bureaucrats in various economic ministries and government agencies. Of course policy directives from politicians take precedence over bureaucratic preference and practices, and it would be folly for any bureaucrat to openly challenge the power of politicians.³ However, if the politician-designed policy runs counter to the perceived or traditional stance of the permanent bureaucracy, these bureaucrats will either try to delay the implementation, feed in wrong, inaccurate or outdated information to policy maker politicians, or give incomplete advice, or all of these, which may result in the wrong policy being adopted or implemented. This is a well-known way by which the bureaucrats can get even with the politicians if they disagree with them.

Fortunately for Thailand, disagreements between transient politicians and permanent bureaucrats with regards to Thailand's basic or fundamental foreign economic policy have rarely happened in the past and at present. These basic or fundamental positions include such policies as the acceptance of the general principle of globalization, the opening up of trade and investment, the commitments to international standards and obligations, the support and promotion of regional and international cooperation, the observation of international practices, international laws and international diplomatic protocols, and so on. Therefore, as long as the new government's foreign economic policy does not deflect too much from the above norm, we can see full cooperation between these two groups of players in laying out and implementing the foreign economic policy of Thailand. The three policy issues that are likely to be maintained and closely followed are, the policy to support free trade in the international arena, the policy that emphasizes the proactive role of Thailand in international trade negotiations, and the policy that supports and advances the free trade policy of the ASEAN Free Trade Area (AFTA).

Is there any possibility of conflict in the implementation of the foreign economic policy between the politicians and the permanent bureaucrats? The answer is probably yes. It is clear from the above that this government favors a bigger role of the private sector in the running of the government. Many present government leaders themselves have been successful businesspeople before entering politics and they would be inclined to maintain the superior position of the private business.⁴ Assuming that the permanent bureaucrats do not have any direct, personal connection with private businesses but work for the general interest of the public, it is possible that these bureaucrats will act as a buffer against policy that favors specific business interest at the expense of public interest. Examples abound in Thailand where information on the incumbent government's stand on certain policies was leaked to members of the opposition who used it effectively in a parliamentary censure motion. The usurpation of the freedoms of the bureaucracy by tinkering with its normal practice can also be a source of conflict. It was reported that the diplomatic

emphasis of the role of the Ministry of Foreign Affairs will be reduced under the new government, to be replaced or supplemented by the emphasis on economic affairs. There will be even plans to recruit economic ambassadors from among businesspeople, technocrats and pensioners, but not government officials. Several private advisers have been drafted from outside the Ministry of Foreign Affairs to work with the new Foreign Minister inside the Ministry. It is hoped that this has not created a sense of slight among the bureaucrats of the Foreign Ministry. Otherwise the implementation and coordination roles of these officials could be adversely affected.

CONCLUDING REMARKS: THAI FOREIGN ECONOMIC POLICY IN THE REAL WORLD

It may be concluded that altogether the transition of Thailand's foreign economic policy from the old to the new government has been quite smooth despite some differences in the style of management. The basic outlook of the Thai foreign economic policy in its support of the international economic system should remain unchanged. Thailand will still be a good and conscientious player in international economic cooperation. It will maintain its international obligations and participate fully in international organizations. One thing that has remained true throughout its modern history is that whenever there is an international image or international commitment issue involved, the Thais will always give it top priority. Thus it is unlikely that Thailand will become an economic outcast in the world arena.

But is it not true that this government supports local, national businesspeople as against foreign interest? Is this a change that is different from the past fundamental economic policy of open market and non-discrimination? Perhaps not. The psychology of this new policy is that it was conceived and put in place by people who are successful businesspeople themselves. They truly believe in themselves and their colleagues. The new government is certainly not 'anti-foreigners.' It simply believes that, given equal opportunity, the local businesspeople (*a la* their own groups) could compete with any foreigners. This is an obvious manifestation of self-confidence rather than new economic nationalism. But whether the outcome of this pro-local business will better benefit the Thai people as a whole compared to the policy of the past is something we are all waiting to see.

ENDNOTES

¹ He later changed his mind after many protests from various quarters for giving in to the military regime of Myanmar. Normally, a new Thai prime minister will make his first foreign visit to ASEAN neighbor countries first. Visiting Myanmar first is still not against the traditional practice as Myanmar is now an

ASEAN member, but to go there first would still convey an uneasy sense of appeasement.

² It is possible that the interest of the Thai Rak Thai leaders in Myanmar is a natural reflection of their personal economic interest in the neighboring countries. Dr. Thaksin himself, through Shin Corporation, a telecommunications company that he used to own, has had extensive investment and other telecommunications business activities in Myanmar, Laos and Cambodia. Dr. Surakiart himself was involved in the natural gas deal with Myanmar when he was the chairman of the Petroleum Authority of Thailand. But the general interest in Indochina, not just Myanmar, may come from more than just these two Thai Rak Thai leaders. There are many in the policy-making group in the Thai Rak Thai now, such as Mr. Pitak Intrawitayanunt and Mr. Pansak Winyarat, along with Dr. Surakiart himself, who used to be economic advisers to former Prime Minister General Chatichai Choonhavan, who became famous for his pro-Indochina stance in the late 1980s by wanting to 'turn the battlefield into the market place.'

³ Indeed, the Prime Minister has told top bureaucrats of all ministries soon after assuming office that they toe the government's lines and cooperate rather than obstruct its main policy.

⁴ Dr. Thaksin himself was a successful businessman in telecommunications businesses. Dr. Surakiart, the Foreign Minister, although he started his career as an academic, quickly left it to join politics and business enterprises. He ran a successful law and business consulting firm of his own before becoming the Foreign Minister, and was at one time the chairman of the Petroleum Authority of Thailand, a state enterprise. Dr. Adisai Bodharamik, the Commerce Minister, was Chairman of Jasmine International, another successful telecommunications company. Mr. Pracha Maleenont, the Deputy Communications Minister was the owner of Channel 3 television station. Industry Minister, Mr. Suriya Jungrungreangkit was also a successful businessman in the engineering field.

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