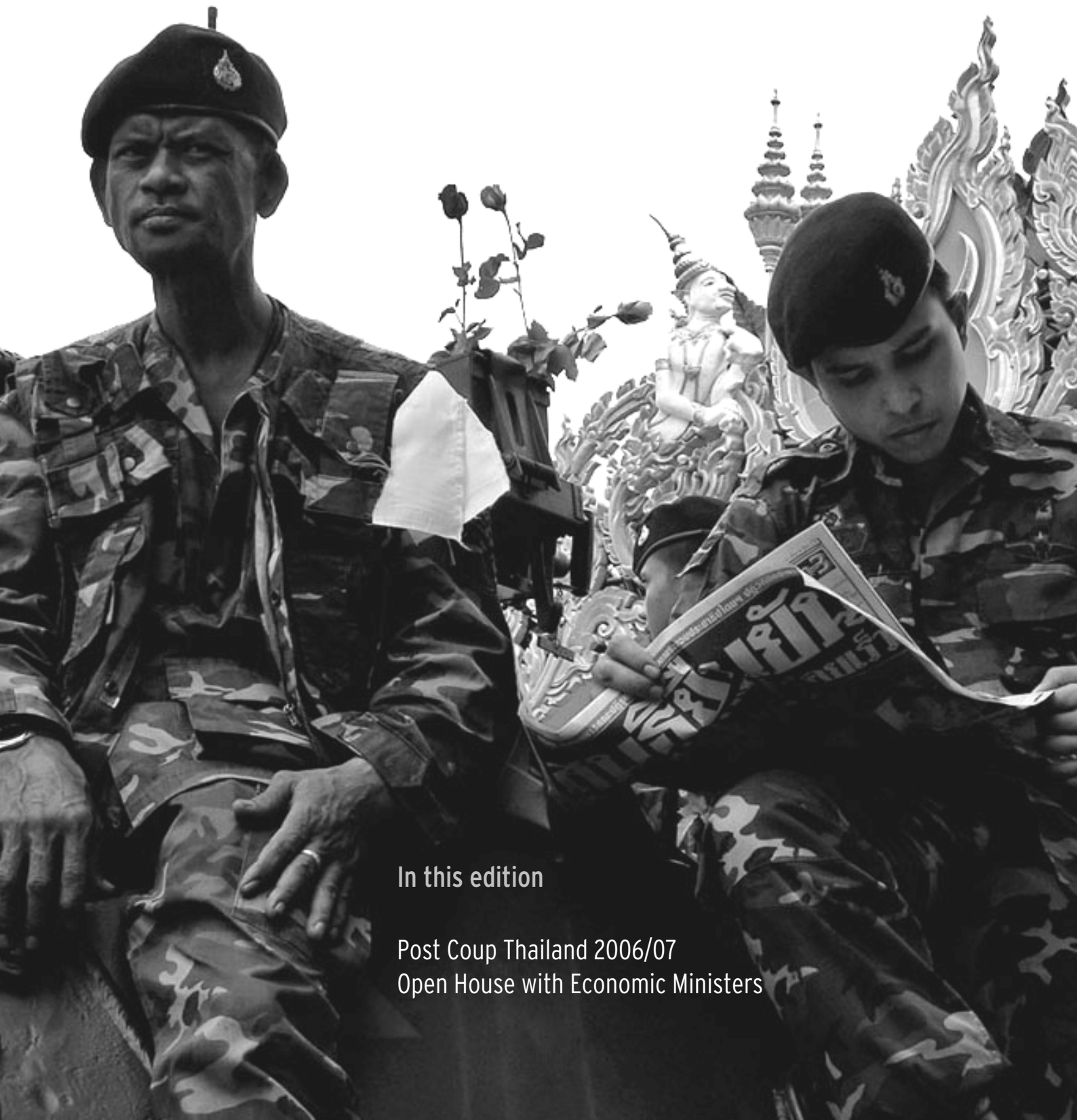


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Call in for a Coffee

Post Coup Thailand 2006/07



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Open House with Economic Ministers

Post Coup Thailand 2006/07 Open House with Economic Ministers 10 November 2006

In a first "Open House with Economic Ministers", Thailand's economic ministers of the new interim government installed after the September 19 coup came together on Friday 10 November to spell out, primarily for the benefit of the foreign business community, the policies of the interim government for its one year term.

Kosit Panpiemras, Deputy Prime Minister and Industry Minister explained that the interim government would ensure public participation and social harmony in its economic policy "to avoid the mistakes made by the previous government".

He stressed that this is an interim government with a one-year tenure and it is most important for Thailand to have a general election at the end of the one-year period. He also made the very important point that as the government will operate for just one year, there was, of course, a need to prioritize.

Industry Minister Kosit outlined the four priorities of the interim government for the one-year period, as follows:

The first priority is for the new interim government to work on the urgent issues inherited from the previous government. The issues are urgent he said, because resolutions of the issues will require some budget re-allocation, which must be done before the passing of the budget in January 2007.

Secondly, the government will redirect development policy in line with "sufficiency economy". He said that the sufficiency economy means that the government will add quality to the development process. The objective will be to make development sustainable, add better and stronger management, and add more things like governance and quality of life.

The third priority is to work on the globalization policies of the previous Thaksin government. Mr Kosit said that, of

course, the new interim government will pursue relationships with foreign countries and that Thailand's investment promotion policy will remain intact. But, he said, the government is aware that throughout the process of globalization, some people may gain but that also many may not be able to adjust. With this in mind, the interim government will allow time to adjust and provide assistance within the sufficiency economy policy to allow Thailand to strengthen itself, to emerge stronger and to become an equal player in the globalization. Mr Kosit said that everybody is welcome but the name of the game is that in the end all parties should emerge in a win-win situation.

Last but not least, the important fourth priority of the interim government is to devote itself to healing the social unrest in the South. Mr Kosit said that in his view, the new government had already made some progress, but they will continue with that particular issue, emphasizing the need to improve the system of justice and listening to all stakeholders. "Participation is the name of this game", he said, "harmony in society will not be achieved without public participation."

Mega Projects

Mr Pridiyathorn Devakula, Deputy Prime Minister and Finance Minister, outlined three projects that the interim government plans to do to promote economic growth.

Mr Pridiyathorn said that although the previous Thaksin government had mentioned several "mega projects", in fact, only one was ready for bidding. Planning for the others, he said, was nowhere near completion.

The first project that the interim government would pursue was the mass transit project of five railway lines, three of which are extension routes to the existing BTS Sky Train, and he said that the new government should be able to complete the five mass transit railway lines within the

same amount of budget that the previous government had planned for the three extension routes.

The second project the interim government planned was a water management pipeline for the prevention of flooding.

The third project would be another water management project, but this time upstream to limit flooding in the rainy season and to use the water for irrigation in the dry season.

Sufficiency Economy

Mr Pridiyathorn Devakula explained that the policy of the "sufficiency economy" is not against development but is a policy of sustainable development. "Contrary to what many believe, sufficiency economy is not against the world movement of trade or globalization", he said.

He explained that the government's adopted policy of sufficiency means equilibrium of income and spending, in much the same way as for a household, sufficiency should not lead to excessive spending that results in debts.

Finance Minister Pridiyathorn criticized the policies of the previous government, which resulted in widespread social problems. He said that growth expansion without reigning in spending could lead to inevitable collapse of the economy as it did in 1997, resulting in a number of bankruptcies and over reliance on foreign funding resulting in high levels of debt, which led to the closure of 56 financial institutions.

He mentioned the previous government's setting of the price of rice at 30% above the market price, which has resulted in huge stockpiles of inventory in state hands, putting a burden on the state and weakening the country's competitiveness in the export market.

Housing Project

Finance Minister Mr Pridiyathorn also mentioned the previous government's housing project. He said, that out of the planned 600,000 housing units, only 13,400 units

had been completed, and with the state facing a bill of 28 Billion Baht for the current backlog and allegations of officials receiving kickbacks from the developers of the housing units, the government would scale down the program heavily.

Stock Market

Mr Pridiyathorn said that the government didn't have any plans to intervene in the stock market. He said that "the Thai stock market is functioning well and vibrantly, and we should not intervene or provide any unnatural boost to the stock market. The fundamentals are strong exports and domestic consumption."

Rice Subsidy

Commerce Minister Mr Krirk-krai Jirapaet continued with the criticism of the high subsidy that the previous Thaksin government provided to farmers, saying that the high subsidies would discourage farmers from improving their productivity and which is a burden to the state.

"Farmers should live with dignity, but we cannot play politics on them and spoil them year after year. Reducing the subsidy is not an easy decision, but we have to bite the bullet."

Free Trade Agreements

Concerning whether the new interim government would make any decision on Free Trade Agreements, Mr Krirk-krai said that the government's inclination was towards multilateral trade agreements and ASEAN.

But he said, if any bilateral free trade talks prove to be beneficial then the government "would not wait".

Nonetheless, he said that the interim government would require such agreements to have greater participation from stakeholders and be approved by parliament.

Commerce Minister Krirk-krai made a further point that Thailand was a trading nation with exports accounting for

65% of its GDP, and with exports and imports combined accounting for more than 130% of GDP. "This was something the current government would strive to maintain", he said.

Foreign Business Act

Commerce Minister Mr Krirk-krai answered a question from the floor about the Foreign Business Act.

He said that the interim government is reviewing the issues of foreign shareholding limits, the types of businesses that are restricted to foreigners and the definition of nominees, and that the government will be making amendments to the Act.

"But let me assure you", he said, "the new law will be much more transparent and foreign businesses will be given time to restructure if they have to."

Energy

Energy Minister Mr Piyasvasti Amranand assured foreign investors that the interim government would not intervene in the oil markets. He also vowed to ensure transparency in the bidding process for future power projects, saying that he believed in competition devoid of favoritism.

He said that priority was for sustainable development in energy consumption, and the interim government would establish the framework for natural gas operators to strengthen the industry and maintain steady natural gas supplies. An independent regulatory committee should be set up, which should be done within 12 months.

Energy Minister Piyasvasti said that the government would promote petroleum concessions to encourage the private sector to operate in marginal fields, and the government planned to sign an agreement to purchase 3,000 to 5,000 megawatts from Laos later this year.

"5,000 megawatts is feasible, and an agreement to acquire more power from Laos would enable Thailand to accommodate many new projects", he said.

Mr Piyasvasti also said that the interim government would promote the use of gasohol because it uses agricultural by-products and at the same time the price should be fair for consumers to create competitiveness.

"Since the world price of ethanol has been stabilized, certain cars can now shift to ethanol, but options still have to be provided to manufacturers until all cars can use ethanol. Besides, the government should assist the operators by providing tax incentives, so that the retail price will be lower than 95 octane."

Mr Piyasvasti concluded by saying that the government would allow the market to operate freely. "We have seen how the interference in the oil price in the past 4 years has distorted the market. At one time, the oil fund incurred a debt of 80 Billion Baht as a result of the oil subsidy policy."

Information and Communications

Information and Communications Minister Mr Sittichai Pookaiyaudom promised to rectify the extremely unfair competition within the telecommunications industry.

"The industry is in a mess", he said, "partly due to the fault of Thai society, but mainly due to the conflicts of interest and the corruption that was rife in the previous administration."

"But hope is not lost", and the government will reform the industry by making it a free and leveled playing field for all parties concerned so they can all share in the exponential growth of the industry in Thailand.

Mr Sittichai also said that the government would try to bridge the technology gap within the Thai society, firstly through improving the e-government program.

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