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Introduction

More than a decade after the financial crash, which turned into a social crisis, Thailand has now entered a new phase of political instability. 19 September 2006, with Prime Minister Thaksin out of the country, a faction of Thailand's military led by General Sonthi Boonyaratglin staged the 18th military coup in the history of the country, suspended the constitution, and declared martial law. The coup leaders pledged allegiance to King Bhumibol Adulyadej, who is constitutionally a political figurehead but holds great symbolic and actual power through his cultural reverence. The day after, the coup leaders received his endorsement. A recent referendum, the country's first ever, has with a small margin and a very low voter turnout voted yes to a new constitution. The Economist recently called the result of the referendum "not a vote for the generals" but the military strong men have promised that elections will follow by December 2007.

Most observers agree that it was the royalist-military elite with members of the King's Privy Council who staged the coup. They were no longer able to exert influence behind the scenes as they did in pre-Thaksin times. Political instability creates uncertainty. If the election is held Thailand's political agony will have dragged on for two years which has had implications for the economy as well.

There are a number of important reasons why Thailand has returned to military rule. Some observers have pointed to Thaksin's involvement in suspect deals, corruption and the extrajudicial killings of more than 2000 criminals and drug dealers and not least the war in the Muslim majority southern provinces where more than 2000 have been killed and moving closer to civil war (McCargo 2007: 142) . Others say that the coup can be traced back to the financial crisis and its impact on a more traditional branch of the Thai elite. The entire economy, including the Palace, went into shock as both the financial and real economy imploded. At one point the dollar value of baht was halved, all but wiping out the country's banks and leaving thousand of Thai companies' insolvent. "Blame for the crash could be pinned not on politicians so much as on the elite closed circle of top bureaucrats and bankers who had, in the name of tradition and culture, rigged the system for themselves" (Handley 2006: 409). Siam Cement and Siam Commercial Bank almost went insolvent together with many other companies and most banks either controlled by or connected with the Crown Property Bureau (McCargo 2006: 510). The IMF initial plans threatened bankruptcy for many of the Kingdom's elite, by holding them responsible for their debts (Handley 2006: 410). Seen in this light the military takeover was an attempt by the old royalist elite to regain power and influence over the state and bureaucracy as

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well as their lost fortunes.

After an interlude between 1998 and 2001 where the pro-Western Chuan Leekpai was in charge of a painful restructuring of the economy embraced by the IMF's austerity programme the populist billionaire Thaksin Shinawatra entered the scene as elected prime minister. The Thaksin administration used expansionary fiscal policy in an attempt to enhance economic growth. In its first term there was a focus on boosting rural incomes and development, but infrastructure development was declared the priority for the second term. Whether the new policy orientation in reality had any substance is a controversial issue and will be discussed in this paper.

The military coup in September spelled the end for Thaksin. The official explanation that the Thaksin family owned shin corp. had sold the telecommunications company Temasek to Singapore was just a cover story. Thaksin became a threat to the authority of King Bhumipol and the royal old boys network or the 'network monarchy' (McCargo 2005) not only because he had benefited from the post-crisis recovery but also because he directly and indirectly represented a new economic policy. After the devaluation and economic crash all Thai TV stations were losing money and Thaksin could have launched his own cable-based station for a small sum. Instead, he paid Siam Commercial Bank $60 million for the insolvent ITV shares. "With little likelihood of ever recovering the investment." (Handley 2006: 425). Thaksin used his money to buy off the palace (Handley 2006: 424). In fact it can be argued that Thaksin directly threatened the hegemony of the network monarchy over Thai politics and the illiberal polity in Thailand over the past 35 years.[3]

The intension of this paper is to scrutinize the evolution of economic policy under Thaksin's reign and asks the question whether it was a genuine response to the aftermath of the financial crisis and also whether it was a suitable socially oriented policy towards the effects of the IMF's austerity measures. What was rhetoric and what was real politik? Was populism in fact a device which hijacked segments of the population in order fulfil Thaksin's personal fortunes and kleptocratic tendencies? The paper focuses on the nationalist social policy in order to understand its real intend. It furthermore explores the notion of self-sufficient economics – a term launched by Bhumipol as a response to the crisis. The paper is divided into four parts. The first part explores recent changes in the global economy which have had an important impact on Thai policymaker' room of manoeuvre and focuses on the sequence from the crisis in 1997, the impact

[3] "The main features of Thailand's network monarchy from 1980 to 2001 were as follows: the monarch was the ultimate arbiter of political decisions in times of crisis; the monarchy was the primary source of national legitimacy; the King acted as a didactic commentator on national issues, helping to set the national agenda, especially through his annual birthday speeches; the monarch intervened actively in political developments, largely by working through proxies such as privy councillors and trusted military figures; and the lead proxy, former army commander and prime minister Prem Tinsulanond, helped determine the nature of coalition governments, and monitored the process of military and other promotions. At heart, network governance of this kind relied on placing the right people (mainly, the right men) in the right jobs. Allocation of key posts was the primary role of the lead proxy, Prem." (McCargo 2006: 501).

of the Thaksin era on the Thai economy and the implications of the recent military coup d'Etat. The second part discusses the new nationalism of the Thaksin administration and the inherent contradictions related to its shift in its of privatization. The third part asks whether self-sufficiency is a possible solution to the stalemate of the Thai political economy. Finally, the paper rounds up by pointing to a number of recent events in Thai politics related to both the impact of the financial crisis – ten years after – and includes an evaluation of Thaksin's economic policies and some final remarks about sufficiency economics.

Goodbye globalization - hello localization

There is no general agreement in the literature about the causes of the financial crisis that hit Thailand in July 1997 and later on spread to the rest of East Asia, Russia and Brazil (Schmidt 2000b; Li, Hersh and Schmidt 2001).[4] An alternative to both mainstream and more radical explanations is related to the downward pressures on the profit rate in the affected countries (worst in Thailand, Indonesia and Korea). One of the reasons was that worker militancy increased throughout the first half of the decade leading to some of the first sustained wage increases in modern Thai history (Glassman 2003: 54).

The crisis itself was essentially the turning point for neoliberal globalization and the end of the day of the Washington Consensus (Bello 2003). As noted by two scholars "the glittering promises of globalization are turning to ashes all over the world...Countering this recession is likely to require a substantial dismantling of the neo-liberal edifice"(Brecher and Costello 2001). As noted by Kasian "Nearly two-thirds of big Thai capitalists went bankrupt, thousands of companies folded, and two-thirds of pre-crisis private commercial banks went under and changed hands. One million workers lost their jobs and three million more fell below the poverty line" Kasian 2006: 23).

It is also well-known that all parties involved made a catastrophic misdiagnosis of the problem. The direct intervention of the US Treasury and the IMF forced through an austerity plan including budget cuts and sky-high interest rates. In contrast to earlier financial crises, which were resolved by banks effectively paying a good share of the bill, it ended with a huge bailout of private international investors with tax payers money through public funds.[5]

[4]In this way globalization is a neoliberal ideology, but also as a concrete challenge and threat, creating winners and losers in the international economy. The impact of globalization on Thailand, and the actual cause of the crisis, occurred through a number of phases: through foreign investments, pressure from multilateral institutions to open up different sectors particularly the finance and the banking system and through currency speculation, unregulated short-term capital flows, particularly unregulated portfolio investments from hedge funds and pressures on the exchange rate from the revaluation of the Yen and the devaluation of the Renminbi which furthermore affect the room of manoeuvre for the execution of economic policy. Thus weak supervision of banks and poor state regulation of domestic private financial sectors were the results of yearlong pressures from the IMF, the World Bank, unaccountable international rating bureaus like Moody's Investor Service who review emerging economies credit ratings, and emerging domestic business segments always in search for easy short-term capital for speculative purposes without any developmental or domestic considerations. The genesis of the crisis lay in the way the country opened its doors to foreign capital. Thailand liberalized by allowing domestic investors access to cheap offshore funds through the Bangkok International Banking Facility (BIBF), launched in 1992. But it made the mistake of keeping the baht pegged to the US dollar. With no concern about currency devaluation, freewheeling Thai speculators borrowed freely and imprudently, without hedging. Actually the crisis was an effect of under-regulation rather than of overregulation as the spokesmen of globalization claim (Schmidt 2002).

[5]See the informative series of articles by Nicholas D. Kristof and Sheryl WuDunn in New York Times February 1 and 17, 1999.

After an openly discussed plot to install a member of the Royal network as interim prime minister (McCargo 2003: 510) the government adopted the IMF-led bailout package ($17.2 billion) to maintain the liquidity of Thailand's financial system. The largest source of funds came from Japan, reflecting the origin of Thailand's FDI. The funds were almost exhausted after filling the balance-of-payment gap and rebuilding foreign reserves ($15 billion). The austerity program aimed to restore external balance, stem capital outflows, stabilize the Thai baht, and rebuild investors' confidence. In 1998 the budget saw a 35 percent cut for social services, a 26 cut for agriculture, and a 27 percent cut for science, technology, energy and the environment over the previous years. The IMF together with the World Bank also imposed many restrictions as further privatization of health, education and introduced a peculiar blend of private and public social welfare. For instance, new fiscal policies were required to have a balanced budget by increasing the consumption tax and reducing government spending through a 10% salary cut for all public employees. Privatization of public enterprises was also part of the package (Chotigeat and Lin 2001). Millions of working poor in Thailand were expected to lose jobs in months ahead as the country and the rest of East and Southeast Asia suffered from the worst financial and economic crisis in decades. Half of the nation's wealth was concentrated in the hands of the richest 10 percent, and income disparity between rich and poor was one of the five sharpest in the world (Mydans 15 December: 1997).

Throughout 1997, the government closed down 64 financial companies, leaving 27 and 13 local banks operating.[6] A new bankruptcy law was introduced in 1998, but in practice the law never functioned well. The oversupply in real estate and the nonperforming loans in the financial sector had not been sorted out.

In mid-1998, the economy went into a self reinforcing downward spiral and the government decided that the austerity program did not accomplish the intended result. With the green light from the IMF, it changed policy in favour of deficit spending in order to stimulate demand. Later in the beginning of 1999, the Thai government created a special spending package (130 billion baht) aimed at jump-starting the stalled economy. Again the loans were financed by Japan (Miyasawa Plan) and the World Bank. The package allocated 53 billion baht in new state spending to boost export competitiveness, to encourage domestic consumption, to purchase goods and services by local government, to create half a million new jobs, and to fund social welfare programs. In mid 1999, the third program attempted to cut producer costs, spur new investment, and help new homebuyers through 102 billion baht in new tax cuts and spending programs (Chotigeat and Lin 2001). Before the crisis, Thailand was running such large budget surpluses "that it was actually starving the economy of much-needed investments in education and infrastructure, both essential to growth" (Stiglitz 2000), now with the crisis it did seem that a much needed more pro-active policy was just waiting to be implemented.

However, the economy has slowly recovered over the years to a predicted growth rate of 4 percent in 2007, but with major problems ahead and a great deal slower than the rest of Southeast

[6] In early 1998, the Financial Sector Restructuring Authority (FRA) and Asset Management Corporation (AMC) were created to handle the assets of the now defunct financial companies. Since December 1997, more than 2/3 of the financial companies and two banks were seized with a book value of 384 billion baht in assets in the form of loans, real estate, office equipment, automobiles, etc. By December 1998, the FRA was able to sell only 1/3 of the total available lots (15 out of 45 or 41% of the value) represented by an average bid of 37 % of book value. The process was very slow and many assets were short of official documents (Chotigeat and Lin 2001).

Asia. Although the growth rates have recovered to respectable levels, the lost output of 1998 has never recovered (Ito 2007: 19). The year 2001 was characterized by increasing unemployment, growing government debt, and non-performing loans. The recession proved more sustained and harder to resolve, as present problems are different than when the crisis took off. In 1998, a booming US economy created a false hope that it could help pull the Thai economy out of recession, while in late 2001 the slumping US economy was a major problem for the strategic reliance and dependency on foreign markets. The September 11 terrorist attacks in New York and Washington, the SARS epidemic and the bird's flue disease have made the storm more severe. An expected drop in foreign investment also strained Asian economies (Schuman 2001). Yet U.S. bankers and economists feared, with good reason that Thailand and other East Asian countries, blaming the United States for their woes, would stall on reform. The once rosy picture of the 'East Asian miracle' painted by foreign investors and the IFIs had turned into a contradictory situation where either side blamed each other for choosing the wrong long term strategies and short term crisis management policies.

Related to the problem of declining investment there is another important difference between pre-crisis and post-crisis management. The increasing competitiveness of China is new threat and challenge to cope with for all countries including Thailand. As a matter of fact, roughly 75 percent of the increase in aggregate GDP among all low-income countries has occurred within China in the last 20 years, which poses a tremendous challenge to Southeast Asia.[7] Foreign investment that once went to countries like Thailand is moving more and more to China. China is already drawing 60 per cent of the foreign direct investment made in Asia and this figure is expected to rise to 80 per cent after it has joined the WTO. According to Supachai Panitchpakdi, who is heading the WTO: "China should be included in the Asean Free Trade Area (AFTA) so that the Southeast Asian regional grouping is not left behind when China joins the World Trade Organisation," and "Members of Asean should also 'compensate' for China's entry by making inroads into the Chinese market before the rest of the world does so," he said furthermore. "Chinese products are very competitive in the United States, we may have to compensate by having an early access into markets in China" (Supachai 2001).

That both internal factors like the falling profit rate and wages rising faster than productivity (Bell 2001: 452) and external factors to a very significant degree have been eroding the room of manoeuvre of Thai economic policy-making and making the EOI strategy problematic is illustrated by various reports which show that the global economy is shrinking for the first time in two decades. Economic growth in the US slowed to 1.3% in the first quarter of 2007, the worst performance in four years of an overextended debt bubble and it seems in 2007 that the besides the twin-deficits problem of the Bush administration it is also embracing a job-less growth strategy. "This jobless recovery is still 6.7 million private-sector jobs short of the typical recovery 67 months after a previous business-cycle peak" (Liu 2007).Global economic and trade growth may slow down this year due to market risks and large trade imbalances, the World Trade Organization (WTO) said in its 2007 annual report. It seems that "the riotous progress of economic globalization has gone into reverse" (Brecher and Costello 2001).

The coming global recession coupled with a serious crisis of legitimacy of the very notion of American-driven and manipulated neoliberal globalization is a process marked by overinvestment in services and industry, leading to overproduction, intense global competition,

[7] See the interview with Joseph Stiglitz in Multinational Monitor, April 2000.

falling prices, plummeting profits, and consequent downsizings, layoffs, and bankruptcies. These conjunctures and new contradictions related to the growing inequalities between and within countries lead to a downward spiral of reduced consumer demand, and in the end might lead to falling government revenues, and public sector cutbacks. It might also lead to new nationalist responses and anti-Americanism not only in East and Southeast Asia but also Sub-Saharan Africa and especially noteworthy the Latin-American continent which has turned away from U.S. dominance.

One of the results of the crash of the Thai economy and the intervention by the IFIs were that several new issues entered the political agenda, which before the crisis were almost non-existing or at least controversial in the public debate. Some issues came hand in hand with the bailout of the IFIs, others entered the national polity through a number of new agenda setting movements and actors especially the powerful entry of the Thaksin government on the scene. The new items on the policy agenda were, among others, protectionism, and a shift away from exclusively relying on export-orientation (EOI) towards the domestic market; a focus on social policies; and in general, a populist and nationalist discourse. Furthermore, domestic and international criticism of the IMF and the Washington consensus has escalated in tandem with the unfolding and prolonging of the financial crisis. In the words of an 'insider', "all the IMF did was make East Asia's recession deeper, longer, and harder "(Stiglitz 2000).[8]

Besides having earned the label of relying on a populist appeal the TRT dominated government also exercised considerable authoritarianism once in office. "The platform was anti-neoliberal in certain but not all of its elements and included a national health insurance system and various `Keynesian' spending measures to reflate the economy after the economic crisis. The policies were popular enough to give TRT repeated, large electoral mandates. TRT received roughly 50% or more of the popular vote in 2001, 2005, and again in 2006 usually around twice what any other party received, allowing it to act fairly unilaterally and to pull smaller parties into coalitions largely on TRT's preferred terms" (Glassman 2007: 2038)..

Western liberal observers described the new policy of Thaksin in harsh terms. According to the New York Times, Thailand is still reeling economically nearly seven years after the devaluation of the Bath, turning inward and somehow reluctantly away from export-led growth. Thaksin reversed Chuan's pro neoliberal economic policy by funnelling billions of dollar to banks and farmers in order to jump-start the economy and dismissed those like the governor of the Thai central bank, with whom he was in disagreement (Landler June 26, 2001). Also the Far Eastern Economic Review (FEER) noted 'the creep towards protectionism is gaining momentum in Thailand'. On August 10 2001 they wrote: "the Thai government passed controversial legislation limiting foreign ownership of Thai telecommunications companies to 25%. The previous cap was 49%. The market reacted negatively, dumping telecoms shares across the board as foreign investors read the rollback as a signal that Prime Minister Thaksin's government was moving towards a more protectionist posture" (Crispin November 1, 2001). Other indicators were that in the beginning of October 2001, the government said it would spend as much as B30 billion (US$673 million) to subsidize local farmers by buying commodities such as rice and rubber at above-market prices and it also introduced a universal health-care plan. The government planned to spend a record B1.02 trillion in the financial year starting October to spur domestic

[8]The consensus between IMF, the World Bank and the US Treasury Department is based on the ideological proposition that the key to success in developing countries are three things: macro stability, liberalization (lowering tariff barriers and market deregulation) and privatization.

consumption. The Bank of Thailand said it has no immediate plans to lower interest rates, even as other Asian countries trimmed rates in line with the US Federal Reserve. It is low enough to support growth. In addition the government decided to start a fund proposed by the previous administration and is trying to raise US$250 million from banks, International Finance Corporation, World Bank, and private investors for the purchase of local stocks (http://aric.adb.org/chronology.asp). All in all it seems that the Thaksin era denoted a deficit driven economic policy putting emphasis on the domestic market as a replacement of the past decades' search for increasing exports.

Some of the problems Thaksin faced were connected to these varying economic signals but they were also related to the mishandling of the bird flu crisis, public outcry over the privatization plans of the Electricity Generating Authority of Thailand (EGAT) and a growing displeasure with "crony capitalism." Thaksin it is claimed furthermore mishandled the effects of Tsunami catastrophe and not least the problems with the muslim insurgency in the South has been mentioned as reasons for his ouster.

With a global economy in shackles, Thailand was essentially left with a choice between continuing the 'race-to-the-bottom' strategy it has pursued since the mid 1980s or as we have seen at least in rhetoric and in the election campaigns from the TRT, Thailand might embark on a different path of reforms in a 'communitarian-third way' direction trying to establish what Thaksin termed a 'new social partnership' between the state and agents from 'civil society'. This strategy, which is worrying foreign investors and representatives of the 'Washington Consensus' involves a particular mixture of populism and nationalism denoting more emphasis on self-reliance and protection of Thai interests. It is simultaneously the result of and response to a social crisis to which there are no easy solutions.

Interestingly the TRT brought along a localist movement engaging various segments of Thai society into a participatory democratization process. Although this new trend is merged with and is blurred by a blend of new nationalism and monarchism, it is seemingly an attempt to promote citizen participation and self-rule, self-reliance and self capacity at the local level (Connors 2001: 4). In the beginning it was the close relations between the Thaksin government with its reformist programme and the NGOs connected with the localist alternative movement which created hope among intellectuals who saw this as an emerging new social contract for Thai society. For them Thaksin might be able to implement the new progressive constitution from 1997 and replace what a confidential interview with one leading legal scholar the historical stalemate of Thai politics: "The Thai constitution has never been a social contract, never a set of rules for those with power to service the people. It has been a set of rules between those with power." (Handley 2006: 408).

It could be seen as a new historic compromise and recomposition of the state while others remain more sceptical. "... The legacy of the economic crisis in Thailand may have been to mainstream localism, not merely as an ideological cover for ultra-nationalist reaction, but as an integral component of a new economic compact. Thaksin, both in words and deed, hints in this direction: 'perhaps it is only half true that we are following a populist strategy.... But we have ignored the bottom half of the economy for a long time. Now we are coming back....'"(Bangkok Post 30 January 2001 cf Connors 2001: 22). It is interesting to note that Thaksin in a way echoed King Bhumipol's words in accusing foreign investors of exploiting Thailand – even though he himself had partnerships with foreign investors – and said that the country should be more self-sufficient and independent of the global economy. He also announced a program to help develop village-based handicraft industries and other self-sufficiency programs (Handley 2006: 425).

Whether these statements were a cover for receiving political support and legitimacy or reflect true concerns for the local struggle of emerging 'civil society' actors or whether the latter was simply being used and co-opted by the new government and the World Bank is an open issue. However, it seemed that the contours of a new economic and social policy, either as crisis management or in a longer perspective as a whole new political and economic strategy, are emerging out of the ashes of the crisis.[9] This was what some commentators dubbed Thaksinomics. On the theoretical level, Thaksin's program combined "elements of demand management (Keynesianism), supply side incentives (Reaganomics), entrepreneurial development (Schumpeterism), grassroots empowerment (de Sotoism) and the structuralist-non-price system reorienting—state led growth of Albert Hirschman.It embraces globalization and comparative advantage, while at the same time attempting to shape the country's comparative advantage through non-price incentives" (Looney 2003).

Essentially what has happened before the crisis and before Thaksin took over is what Bienefeld (1993: 31) has called "the disarming of the state." Financial deregulation is a route to an increasingly polarized society in which the majority suffer sustained welfare losses and in which the goal of a more humane, caring and leisure-oriented society will soon be dismissed as utopia.

It is in this context that after the Asian crisis, the Russian default of 1998 and the collapse of the US hedge fund Long Term Capital Management (later on saved by a government bailout!), the contagion effect of the global crisis, and the effects of the 11. September attacks, governments are preparing emergency plans to remedy 'market failures'. In the US, the UK and the rest of the EU government money is bailing out everything from airlines to insurance companies and medicine has been bought below market prices by the US in Germany - and "the pressure to return to 1970s-style interventionism will be great" (Preston 1 October, 2001: 32). Subsidies have again become the name of the game. After the fall of yet another utopian project - 'the universal free marketplace' - the image that all countries following the Western route to modernity or what some call globalization - has fallen into pieces. In reality, this image has been deformed by a market ideology that is far removed from any human reality... (Gray 24 September, 2001: 25).

What the Asian crisis subsequently revealed was that the speed of deregulation cannot be uniform. It must be adjusted to the special circumstances, politics and even culture of each country. The personality of a Central Bank governor might even be significant in determining the effectiveness of a deregulated financial system and the movement of free exchange rates (McFarlane 2001). What is really new in this context is the call from big business to encourage the state to intervene in the economy, and in a number of cases these calls have been extended to (re)nationalize ailing industries and credit institutions. Such proposals have been made by such varied actors and speculators as J.P. Morgan and various representatives from Thai productive capital, but have at the same time been opposed by representatives of both domestic and international financial capital. Even the liberal conservative magazine The Economist suggests that "....capitalism as it exists in the West, with safety-nets, public services and moderate redistribution bolted on' is a way to have capitalism while not hurting the poor too much" (Cf Hewison 2001a: 10).

[9] See also the interesting discussions of reforming Thai politics in McCargo (2002).

The basic question is whether the EOI model will be replaced by a new type of interventionist state or or a more inward looking state. The new buzzwords Thaksin launched i.e. social partnership, a restructured state, and a new social compact signalled a peculiar blend of 'communitarianism' and a Blairist 'Third Way' neo-Keynesianism.[10] If Thaksin's spending programmes were a provocation to foreign investors it was even more interesting to note King Bhumipol's interventions after the crisis where he pleaded for self-reliance and the need to strengthen traditional and local institutions – family, community, school, village economy, wat – in order to have stronger foundations for facing evading globalization (Pasuk 2005; Baker 2005: 115). However, these initiatives could also be understood as a deflection of responsibilities away from the state in terms of delivering social services in the wake of the crisis. In fact the whole debate started by the King himself could have been a way to promote privatization of the state both directly and indirectly.

The new nationalism, privatization and the contradictions of Thaksin

Although it is now clear that the major causes of the financial crisis were ill advised and non-sustainable demands of deregulation, privatization and liberalization, the neoliberal pundits have not disappeared. At the WTO meeting in Doha in Qatar[11] items such as health care, education and social policy were debated as suitable for privatization. Also the World Bank and the IMF have for three decades advocated commercialization of those collective goods and market interests are lining up to invest in user-fees and corporate social welfare. However, it is first and foremost privatization and liberalization of public enterprises which is at stake for what some vested interests in Washington initially termed Thaksin's nationalist and populist government. In the beginning it committed itself on a social partnership with segments of the NGO sector and apparently postponed, foot dragged or at least partly in rhetoric opposed the privatization presssures from the IFIs. This peculiar policy contrasts sharply with the domestic demand-driven strategy of Thaksinomics which pumped billions of Baht into a whole variety of sectors and grand projects. As such the privatization drive was either be a response to external demands or and indicator of a growing realization of the relative pick-up in growth rates which seemed to stem from utilization of capacity through Keynesian fiscal stimulus (Looney 2003).[12]

This section of the paper briefly evaluates the background of privatization efforts of state enterprises, health care, education and social welfare policies before and after the crisis in order to tentatively evaluate whether the new localism cum nationalism of the Thaksin government did provide a fundamental shift in policy focus or whether it was new wine in old bottles!

[10] Refering here to the peculiar blend of the post-Thatcher government in England where Tony Blair and Anthony Giddens launched a new social contract based on the 'Third Way' as a mixture between liberal economics and a state with a human face.

[11] While 5th Ministerial Meeting of the World Trade Organization (WTO), which was held in Cancun, Mexico from September 10 to 14, 2003 broke down because the developing countries have been bullied, ignored and marginalised. Quite simply, walking out was better than the deal on the table.... this was also connected to resistance against deregulation and privatization.

[12] This in accordance with IMF who notes that "prospects for sustained high growth depend on action to address remaining structural weaknesses, especially in the corporate and banking sectors. While enterprises made some advances in de-leveraging, their balance sheets remain fragile. Lending activity has gained some steam, but mostly at state-owned institutions and resolution of nonperforming loans at private banks continues to be slow." Cf Looney 2003.

Privatization happens for three reasons: 1. the end of political ideological conflict between capitalism and socialism; 2. the completed status of welfare state policy and 3. The government's need for funds to support its budget deficits. For developing countries such as Thailand, the government's need of money to reduce its current account deficit is a reason for privatization, but that is not the main reason. The real blessing comes from getting rid of inefficiencies in the state owned enterprises (SOE) services. The reasons and types of privatization of each enterprise might not be the same. "Some enterprises are not profit-making firms, but they must exist for welfare or for security reasons... The government should find ways for SOEs to be more efficient and to be productive" (Pouaree 1997).

Privatisation has had an interesting history in Thailand when taking into consideration that it is widely believed that income inequality increased significantly during the 1990s as a result of a boom in asset prices and the various privatization and deregulation measures adopted by the governments (Ramesh 2000: 22-3). This makes it even more difficult to understand the reaction of the Chuan government after the crisis who obviously favoured the increase of private participation in the public service and rhetoric aside it seems that Thaksin continued this policy with a special blend of favouritism and nepotism while at the same time he claimed to keep foreign capital at bay.

In 1998 the Washington Post reported from Bangkok: "Hordes of foreign investors are flowing back into Thailand, boosting room rates at top Bangkok hotels despite the recession. Foreign investors have gone on a $6.7 billion shopping spree this year, snapping up bargain-basement steel mills, securities companies, supermarket chains, and other assets. A few pages behind stories about layoffs and bankruptcies are large help-wanted ads run by multinational companies. General Electric Capital Corp., which increased its stake in Thailand this year through three major investments in financing and credit card companies, is seeking hundreds of experts in finance and accounting, according to one ad. General Motors Corp. is recruiting aggressively for its massive new Thai car assembly plant, scheduled to open in two years" (Sugawara November 28, 1998). Nicholas Kristof expanded on this theme in the New York Times: "'This is a crisis, but it is also a tremendous opportunity for the US'....'This strengthens the position of American companies in Asia.' A clear indication that the Asian crisis would further the American agenda came in December, when 102 nations agreed to open their financial markets to foreign companies beginning in 1999. It is unclear how the pact will be carried out, but it marks an important victory for the US, which excels in banking, insurance and securities. Fundamentally that agreement and other changes are coming about because Asian countries, their economies gasping, are now less single-minded in their concern about maintaining control. Desperate for cash, they are less able to pick and choose, less able to withstand American or monetary fund demands that they open up" (Kristof February 1, 1999).

It is not unimportant to bring in Schumpeter's notion of creative destruction as the crisis also created winners. The surviving companies became in some cases stronger than before the crisis. Many of their competitors had disappeared making space for new leaders especially in the service sector where there were and still are close connections with the military, bureaucracy and the political level in general (Baker 2005: 113). Typically, the survivors were those who had made their billions through monopolistic concessions on the domestic telecoms market and who took the initiative to establish a new political part the TRT to protect and promote their own interests (Kasian 2006: 24). Thaksin´s view of political power and the state was based on his own experience in receiving lucrative contracts and state concessions in telecommunications, TV networks, mobile phones and fixed-line telephones and satellite operations.

However, before Thaksin came to power, the Chuan led government had been under pressure from the IMF and was forced to scrap a regulation that limited foreign corporations to a 25 percent stake in Thai financial companies. Citibank signed a memorandum of understanding on the purchase of a major Thai bank - First Bangkok City Bank. As mentioned above, "the crisis resulted in a massive restructuring of ownership and control in the economy. Devaluation meant the end of many businesses, with hundreds closing in all sectors. This saw a transfer of ownership to Japanese, American and European investors through debt-for-equity swaps, investment in devalued companies, and buy-outs of Thai partners", but "as the government took over four struggling banks and closed many finance companies, one-third of the financial sector's companies were gone by the end of 1998." "At the end of 1999, the total state investment in the banks alone was US$ 12 billion or about 10 percent of GDP.... The bailout of the financial sector means that every taxpayer will be footing the bill for at least a generation" (Hewison 2001d: 9, 10 & 13).

During boom times before the crisis, the SET was worth 3.5 trillion baht, but its capitalisation has since been eroded to less than half that figure reflecting the onslaught of whole sectors and companies. Many Thais feared losing control over domestic business if foreign capital gets to much influence and it was this sentiment the Thaksin government tried to exploit in its attempts to endorse domestic interests and jump-start the domestic market.[13]

The Thaksin government had originally pledged to raise the market capitalisation of the moribund Stock Exchange of Thailand (SET) by about 700 billion baht by listing 14 state companies in the next two years. Profitable monopolies such as the Telephone Organisation of Thailand (TOT) and the Communications Authority of Thailand (CAT) were due to be sold in 2002. However, due to political in fight, strikes by workers and protests from NGO´s and the seriousness of non-performing loans the government scheduled that "only" 16 state enterprises should be privatized.

Jayasankar Shivakumar, the former country director of the World Bank in Thailand said already in 2001 that 'the status quo is risky to Thailand's future economic health'. "If power is not competitive, then the country will not be competitive. If the aim is to reduce tariffs, improve efficiencies and alleviate government debts, then there really is no other option than privatization" (Crispin 2001). Illustrating the interests of foreign investors and neoliberal ideology, FEER noted that, privatization of Thailand's rigid state enterprises was always going to be a tricky business, requiring hard-nosed political choices. And with the economy slipping again, those choices have become ever more urgent. Unfortunately, the efforts seemed to

[13] http://business-times.asia1.com.sg/views/story/0,2276,28895,00.html?

resemble 'business as usual' (Crispin 2001). Other observers claimed that ".... Throughout Asia a post-Washington Consensus outlook is emerging which stresses that markets can fail - especially financial markets and markets for technology - and that governments should intervene to promote domestic competition, regulate financial transactions, promote education and stimulate the inward transfer of technology. This particular view of government intervention has become one of the key elements of Thaksinomics" (Looney 2003). In fact, Thaksin did the opposite. He applied what Kasian terms 'crony capitalist-oriented globalization' very much in line with his predecessors. Thaksin's privatization drive was indeed ambitious as it involved energy, water, transportation, telecoms "providing billion-baht pickings for his cronies, with some showy infrastructural projets and a scattering of crumbs to his electoral base in the villages: micro-loans, farmers' debt relief, a reduced charge of 30 baht (around 75 cents) per hospital visit" (Kasian 2006: 27).

This is questionable because acceleration of public sector reforms and structural adjustment, an outcome of externally negotiated crisis-management programs before Thaksin, comprises a further dimension of the social impact of the crisis.[14] 'One that might be exacerbated by increasing employment dualism and inequality due to more labor market deregulation. A move which would increase wage flexibility by relaxing minimum wage provisions and amending the recently enacted Labor Protection Act of 1998. As mentioned above, privatization has been interpreted by labor as a perceived threat to pay levels, benefits, and job security, was given a legal basis under a new State Enterprise Corporatisation Bill. The latest move in accordance to World Bank conditionalities was to privatize EGAT. "IMF-negotiated austerity budgets, high interest rate policies, and reduced public service subsidies have comprised additional policy-mediated privations' (Deyo 2000).

Before Thaksin entered the scene it is interesting to note that "labour unions initiated strikes and demonstrations have centred on a few core issues: extension of social security protection, job security, maintenance of pay and bonuses, labor standards (especially health and safety), severance pay, and, among SOE workers, continued opposition to privatization. Building on earlier efforts to extend social security benefits and coverage, workers and unions have mounted periodic public demonstrations and appeals for minimum severance compensation and extension of maternity, health, and other benefits for laid-off workers. Similarly, unions have increased efforts to mobilize Thai workers and international groups and agencies in support of a proposal to establish a tripartite institute to monitor work health and safety standards. Similarly, SOE workers have fought hard to slow or reverse the privatization process" (Deyo 2000).

"The policy outcomes of labor protest in these and other areas have been mixed. On the one hand, despite a continued ban on formal unionization in the public sector, SOE workers, now organized in 'associations,' succeeded in defeating a Ministry of Finance proposal to cut public sector pay levels by 30%, as well as in obtaining government commitment, at least in principle, to redirect a portion of any proceeds from privatization to worker education, job retraining, and family welfare" (Deyo 2000). While the EGAT privatization dispute is not yet solved there are other strikes as Deyo which ended with mixed results for the workers involved.

Turning to the private sector strongly unionized workers possessing superior education or skills have enjoyed a strong bargaining position at corporate and policy levels in matters directly affecting employment, training possibilities as well social benefits. "Workers in the well-organized banking sector, for example, obtained an agreement from the Ministry of Labor and

[14] For this and the following see Fred Deyo (2000).

Social Welfare to assist retrenched bank workers and to offer these workers a ten-month salary replacement. And private sector unions played a key role in pushing through improved severance pay legislation under the newly enacted Labor Protection Act noted earlier" (Deyo 2000). This was in sharp contrast to the advice from the IMF who said: "Without a capacity for monitoring and discerning where the most acute problems are, countries risk devoting scarce budgetary resources to safety net policy that is not targeted efficiently to those most in need in a specific crisis situation. (IMF deputy director Peter Heller cf Assavanond and Achayakachart 1999).

The current debate on privatization is encapsulated by a noticeable shift in government strategy, and can be interpreted as being based on both nationalism and populism. As such its focus on the local is a conscious and oppotitional response to neoliberal globalization. As Hewison notes, "the nationalism of the localists is politically conservative, while the localist visison is a romantic construction of an imagined past." They furthermore "... reject industrialization as a development strategy, seeing industry as a cause of exploitation and of the degradation of the environment" (2001c: 13 &15). At least in a short term perspective it seems that, the new economic policy of Thaksin would be based on a more regulatory role for the state.

Turning now to social policy and the role of the health sector, the past two decades, have seen powerful international trends in market-oriented health sector reforms being swept around the world, especially from the North to the South. Introduction of user fees for public services has become entrenched in many developing countries. The World Bank strategy has been powerfully reinforced by the practice of making user fees a condition of loans and aid from the IFIs (Whitehead, Dahigren and Evans 2001).

The privatization policies of the IFIs for instance in health care are highly regressive, because pooling of risk is reduced and care costs fall more directly on the sick (who are most likely to poor, children or elderly) than on healthy individuals and the result is a medical poverty trap consisting of "Rises of out-of-pocket costs for public and private health-care services are driving many families into poverty" (Whitehead, Dahigren and Evans 2001).

This was also the case in Thailand although there are government-funded insurance policies for civil servants out-of-pocket expenses continue to be the primary source of funding for health services, accounting for 65.4 percent of the funding. The private sector continues to dominate the health sector by its stake of 67 percent of total health expenditures which is equal to 4.1 percent of GDP (government components are 33 percent of total and 1.9 of GDP). Private hospitals are growing at an estimated rate of about 12-15 percent each year and may soon become the major provider (Ramesh 2000: 101).[15]

In Thailand, poor people pay proportionally more for health care than rich people. Although the number varies according to statistics and sources, and the dubious fact that the World Bank has changed its definition of poor, the Bank's own figure is more than seven million people are below the poverty line of US$ 1.50 per day (Hewison 2001b: 14). The IFI´s and ADB's directive to privatize health care is opposed by representatives of Thailand's huge HIV-aids infected

[15]Interestingly, one of the first short-term initiatives taken by the Thaksin government was "a special spending package set up for retired civil servants. Under this program the government would pay an amount equivalent to 30 times salary to the families of civil servants who pass away. "A new ruling permits retired civil servants to spend half of that amount before their death. It is estimated that the total amount of spending power created from this initiative would be roughly 45 billion baht." (Looney 2003)

community, as an estimated 800,000 of whom survive with state medical aid. Recently several hundred Aids patients joined protests at the ADB meeting in Chiang Mai, forming a so-called 'living cemetery' to bring public attention to their plight (Z-Net). To put those numbers into perspective, Thai society is full of contrasts and contradictions. In Bangkok, the number of non-Thais checking in for treatment at the leading private hospital, Bumrungrad, has increased fourfold since 1996. This year, the figure will top 170,000. And Malaysian and Thai hospital operators want even more (Cheng 2001). In fact, there is evidence that user charges promote inequity by discouraging the poor, but not the well-off from seeking health care and to make matters even worse "combining insurance financing with private provision is one of the surest ways to escalating costs" (WHO 1993 cf Ramesh 2000: 84 and 101).

As a response to these inequities and the fact that more than 3 million people fell below the poverty line and also as a way to boost the rural vote Thaksin a debt moratorium for the rural poor, a revolving fund of 1 million baht per village, and a 30 baht-per-visit scheme of health care (Baker 2005: 120). But in fact and despite all the populist overtones Thaksin had no strategy to empower farmers or change their structural position (Baker 2005: 129)….

Despite its new universal low-cost health care plan it is not clear whether the Thaksin government really wanted to continue the privatization drive or make health a collective good. Critics came from many quarters as his 30 baht per hospital visit was a welcome improvement – although very modest indeed, "but it was hastily implemented, poorly managed and under funded, resulting in overworked and demoralized medical staff and near bankruptcy at many rural hospitals (Kasian 2006: 27). What is clear though is that there is an increasing demand for better and cheaper health services. Currently, Thailand's health systems are facing a financial crisis, demographic and epidemiological transition, and an increasing demand for more and costlier services which marks the urgency of a health reform in the nearest future.

Turning to the contested role of education which still belongs under the General Agreement on Trade in Services (GATS) whose latest round took place in February 2000 it is well-known that the U.S., British, Australian and Canadian administrations want to privatize university education and adult training. As mentioned above, the beginning of the 1980s saw the launching of a massive strategy on the part of the IFIs to pressurize the developing countries and to force them to drastically cut state spending on health, welfare and education. Paradoxically, the World Bank recently came to the conclusion that educational levels in the Third World had reached mediocre levels, but concluded "that those countries which are willing to adopt legislative and regulatory frameworks for higher education ... in which the private sector has a greater involvement in teaching and finance, will continue to receive priority (World Bank 1995 cf Kalaftidès).

Even before the onset of the crisis in 1996, the Thai government began to offer various tax incentives and loans at low interest rates to encourage the establishment new private schools; likewise the government has been encouraging foreign universities to set up branch campuses in Thailand. This was in response to the demands of the private sector "but even with the rapid gearing up of secondary education, by the year 2000 over 70 percent of the workforce would still have no more than six years of primary education" (Phongpaicit and Baker 1998: 149).

This is also why the World Bank advertises that the investment outlook for private education in Thailand is very good. According to the World Bank, "there is a vigorous private education sector, which has already made significant inroads into the education market, and which is poised for further expansion, particularly in the vocational area. Private pre-primary schools account for about 20% of children enrolled, while about 12% of primary schools are privately operated. The

private sector accounts for about 6% of the total number of lower secondary, and 23% of upper secondary schools. Moreover, nearly 50% of students are in private education at the vocational level, and significant numbers are also in higher academic education. The Thai government is already seeking foreign loans to support public education. Allowing foreign investment in private education to continue and to increase, but on more favourable terms to the international suppliers, is an increasingly probable development. There are examples of private, for-profit, companies that have already succeeded in obtaining licenses to operate universities and colleges, and it is interesting to take notice of Thailand's recent relaxation of some of the rules for education investment. Private education institutions are now permitted to have tax exemption of their operational profit and the owners of a private university are entitled to retain for themselves 15% of income. Moreover, once an institution has obtained a license to establish a higher education unit, it is allowed freedom in organization and management".[16.] There is no doubt that in recent years the trend towards privatization of education has increased, particularly but not exclusively in higher education (Ramesh 2000: chp.5), which is awkward when taking into consideration that the public educational system historically and contemporarily has been considered by "the ruling class as an instrument for promoting national integration and for propagating the subject's morality and virtues" (Bechstedt 1991: 303).

Marketization and privatization of education threatens to exacerbate not only the disparities between schools in terms of educational outcomes but also the existing social inequalities (Ramesh 2000: 143). The privatization drive and its concomitant passenger growing unevenness and inequality has been part and parcel of most governments in Thailand in recent times. This is also why it is important to stress that there are no signs whatsoever that the new Thaksin government wants to reverse these trends as the number of public enterprises privatized including education are steadily increasing. Although spend about one-fifth of the national budget on education still three quarters of the labor force possess only primary education and "persons with primary education or below suffered the greatest effects on both employment and real income. It is clear that the economic crisis adversely impacted the unskilled labour force most severely" (Sirilaksana 2005: 269). It is further interesting to note that it is only basic education which is free, much like health-care where such items as elective surgery are usually not considered a basic need. The new education act which was promulgated under Thaksin calls for more private sector involvement in education at all levels and charging cost-based user fees (Sirilaksana 2005: 281-282).

The question about social protection has for a decade or so been debated in the Thai political context. This endeavour has been an achievement of the labor movement, which although weak on paper has managed to pressurize the authorities on this important issue. In connection with this trend, the international pressure and the present period of democratic opening has brought about an embryonic demise of the legitimacy of state-sponsored and employer-dominated labour unions with a re-emergence of independent, representative organizations characterized by growing militancy (Lambert and Caspersz 1995: 572/580/583). This is also the result of the activities of several international organizations such as the AAFLI, ICFTU, and ILO who for years have lobbied Western countries to impose trade sanctions in retaliation for the general disbanding of unions and ban on strikes and other government induced industrial actions. There is no doubt that labour welfare campaigns and common strategies aimed at the establishment of social security systems and other solidarity measures have been increasing, not only in Thailand, but throughout the Southeast Asian region (Brown and Frenkel 1995: 82-106).

[16]http://www1.worldbank.org/edinvest

The militancy has also been directed against the contractionary monetary and fiscal policies of the IFIs which induce recessionary pressures, corporate closures, lower or negative growth rates, retrenchments and higher unemployment. Cutbacks in government expenditure lead to reduced spending on education, health and other services. The switch in financing and provision of services from a grant basis to user-pay basis impacts negatively on the poorer sections of society. The removal or reduction of government subsidies jacks up the cost of living including the cost of transport, food, and fuel. These and other policies have contributed to higher poverty, unemployment, income loss and reduced access to essential goods and services. It is not a coincidence that countries undergoing IMF conditionality have been affected by demonstrations and riots (popularly called "IMF Riots"). The social impact of IMF policies is another major cause of the crisis of credibility in IMF conditionality (Khor 2001).

Despite Thaksin's attempt to corporatize (Pasuk and Baker 2004: 120) privatization was strongly opposed by unions and activist groups and spelled real trouble. The real problem for Thaksin was that when it comes to the actual level of 'real-politik' his real intentions and policy were expose after his announcement of the "The Kingdom of Thailand Modernization Framework - KTMF". It was essentially an even more radical version of IMF conditionalities in any country so far and could have been worked out in Washington DC. KTMF was announced in a speech by Thaksin for foreign investors in Bangkok 26 January 2006.

It opened a wide variety of state assets and function – utilities, transport, natural resources, telecoms, IT, national security and intelligence, agriculture, culture, public health, medical services – "to open bidding by foreign investors in partnership with the state" (Kasian 2006: 34 and http://www.boi.go.th/english/how/speeches_detail.asp?id=240). This was the real face of Thaksin and "a logical extension of Thaksinomics. If Thailand is a company as much as a country, why should it not act just like a multinational holding company or hedge fund, buying up properties in the international marketplace" (Pasuk and Baker 2004: 246). These initiatives showed that Thaksin had serious trouble in to differentiate between his own interests and the country's interests and they were probably another reason why important intellectuals, academics and labor leaders supported his ouster.

It seems that Thaksin became an offer for his own greed. In fact, he ignored social policy as an ingredient of labor's struggle to obtain rights and entitlements. After the crisis and on the initiative of the ILO a Thai tripartite mechanism was established; however it soon turned out that at the root of what may be described as a weak basis for tripartism are the continued constraints on freedom of association. In fact, the credibility of the officially sanctioned and legally recognized national trade union centre is very much eroded now and workers with grievances, including members of the official unions, are increasingly looking elsewhere for representation. Since recent initiatives to develop independent and democratic trade unions have been constrained by government repression, workers' organizations are forced to operate beyond the ambit of the law, and often clandestinely, are generally unable to effectively and openly criticize government policies and programmes (ILO 1998 cf Schmidt 2002). Although labour comparatively speaking is weak and not very well organized it was as mentioned above nevertheless a major force behind the enactment of the Social Security Act in 1990.

Evidence shows that because of the very low state schemes for improving the income and welfare of employees to catch up with inflation, Thai workers'demands initially concentrated on wage increases. But this pattern has been changing. This is clear from the fact that "major issues of labour disputes from 1987 to 1989 concerned welfare (33 per cent) wages (20 per cent) conditions of employment (18 per cent) and other issues (29 per cent)" (Piriyarangsan and

Poonpanich 1994: 241). The struggle to obtain social security protection in Thailand dates back to the 1950s, but in the late 1980s renewed pressure through public demonstrations and campaigns from the Labor Congress and Trade Union Congress resulted in the promulgation of the Social Security Act of 1990 (Brown and Frenkel 1995: 104). The first phase was implemented in 1992 and covers health insurance, maternity benefit, disability benefit and death benefit. The scheme is financed by employers, employees and the government each paying 1.5 percent of wages as contributions, but there is serious debate about the second phase (Asher 1995: 16).

On several occasions the IMF has interfered in the Thai domestic debate with regard to social policy by either directly or indirectly threatening officials and government representatives. For instance, in 1998 the Labour and Social Welfare Ministry planned to expand protection for retirees and dependents (children of retirees) by proclaiming publicly that this part of the population represents basic social welfare deserving state support. According to the IMF such a move would be in conflict with international practices and could become a costly burden in the future and "...that protecting retirees and children should be left to the private savings scheme and was outside the responsibility of the government. According to various sources at least six million households would qualify for state assistance, either through the fund or from other government run programmes" (Sirithaveeporn 1998). Already in August 1997 one month after the crisis hit the country, the government tried to avoid contributing to the Social Security Act which requires employees and employers each to contribute 1.5 percent of monthly wages of employees to the Social Security Fund. "Thai Trade Union Congress secretary-general Pratueng Saensang said the government has an obligation to contribute to the social security fund. But it failed to make the seven-billion-baht contribution in April, citing economic and financial difficulties". This violated the rights of workers, and the TTUC threatened to sue the Social Security Office, but representatives of the government left the question to the tripartite committee to decide (Unarat 1997).

The policy of the IFIs has been to promote the establishment of adjustment-related temporary social safety nets known as Social Funds (SFs). "The aim has been to offset the negative social impact of policy reform. SFs are increasingly conceived as an intermediate and long-term delivery instrument which is more efficient than traditional means of service delivery through established ministries, through their employment of an ostensibly more participatory, decentralized, and 'demand-responsive' approach. In this connection they have been seen as everything from a 'beachhead' for the modernization of the state (through the 'demonstration effect' they have on ineffectual state bureaucracies) to a 'training ground in the democratic process'" (Cornia and Reddy 2001: 11). Various components of the World Banks Social Investment packages have contributed to Thai NGOs and 'civil society' actors, as well as also provided assistance to the poor to cover health and education expenditures.

An editorial from the leading newspaper Matichon said that the Chuan government risked losing support if its focus didn't change from the financial sector to the poor and underprivileged and that the trickle-down policy had not improved the livelihoods of the ordinary people and that more power should be transferred to the Social Policy Committee (Matichon cf Bangkok Post August 27, 1997). Also the middle class discovered than in many cases they lost everything. This created a "traumatic relavation of their insecurity …. [which] … nourished a new culture of mutual indifference … individual struggles to adapt to the crisis, they could not but turn their faces away and pretend not to see other people's suffering…. The result was a sharp decrease in collective action for mutual protection, and hence a severe weakening of civil society" (Kasian 2006: 24).

The official view of the Thai government on social policy was to boost the capabilities of families and communities in order to help them achieve greater self-reliance and to support individual development which is very much in compliance with the Thaksin government's goal of enhancing social partnership. These echoes the Thai elite's ethos which is well encapsulated by its tendency to reduce complex social problems to, for instance, "family breakdown" as a code for bad society which only a government with "values" could fix. One politician suggested that "we believe that with a warm and healthy family, every social problem - drugs, street children, child exploitation, and prostitutes will be solved" (Assavanonda 2000).

Whether the goal of Thaksin was to attain equity or not is still to early to judge, but social welfare policies have so far been based on neoliberal thinking while economic policy has changed into a more nationalistic and protectionist direction. His emphasis on self-reliance, family and community mutual care, voluntary charity, and philanthropic initiatives and this is where the alliance between NGOs and the new government made sense in the beginning in a country where in the aftermath of the crisis there was a significant a transfer of wealth from the poor to the already rich. In this way Thaksin's populist social policy became his own zenith as it turned against him in the end. In fact regional and income disparities continued to worsen under Thaksin and poverty has increased (Kasian 2006 and NESDB 2007).

The Thaksin government was in the beginning squeezed between the demands and conditionalities of the IFIs, and an increasingly vocal popular protest movement against foreign influence. This situation is illustrated by the fact that according to the World Bank,[17] the social impact of the crisis has been that 1) labor markets have worked well to cushion the effects of the crisis, but as Hewison notes when translated it means "that markets worked in spreading out the impact more evenly among workers. That is people were able to be laid-off easily. Because there was only a minimal social security system laid-off workers then went in search of other jobs. While they did this, family savings supported them. Family savings were depleted in this process. This implicated most heavily on the already poor;" 2) the 'World Bank recommends that social safety net expenditures be reduced by more than 16 percent. Part of the reason for recommending reduced expenditures was the view that based on 1994 data; the Bank argued that only about 6 percent of government expenditure benefited the poor, while 25 percent concentrated on the rich.' 3) Again according to the Bank, the poor used their discretionary resources and savings on health and education, which means that "as the wealthy´s 'discretionary' expenditures were more substantial, the impact on their wealth was relatively less;" 4) Finally, the Bank acknowledged that 'traditional mechanisms' of community-based support have broken down, and in contrast to its conclusion mentioned above, it recommended an increase in unionisation. It seems that Thaksin's and big business "main motivation for redrawing the social contract was to stem the rising tide of political dissent. Social policies were simply a 'cushion' to protect profit making" (Baker 2005: 132).

It is still to early to judge whether the opposition which emerged against Thaksin was manipulated by the Royal network or whether there was a genuine majority for instance in Bangkok who disliked Keynesian spending measures or it was corruption to crucially royalists in the military and elsewhere who resisted Thaksin's increasing encroachments on to their economic and political interests spheres. Indeed Thaksin stressed in his weekly radio broadcast of February 4th: "The only person who can tell me to quit is His Majesty the King. If his Majesty whispers to

[17] The following is based on Hewison (2001b: 17-18).

me, “Thaksin, please leave”, I’ll go” (Cf Kasian 2006: p fn3). What can be discerned is that the accusations against Thaksin for usurping the monarch’s role (Kasian 2006: 7), and parts of the military with “support from state enterprise workers disgruntled at Thaksin's support for privatisation engaged in repeated street demonstrations throughout 2006, calling for Thaksin's resignation because of his tax-free (but possibly legal) sale of his company to Singapore's Temasek. The military, and the networks of royalists of which they are part, finally took action on their own in September, deposing Thaksin before he could reshuffle the military or win another electoral mandate” (Glassman 2007: 2038-2039). These developments point in the direction a classical inter-elite power game and a clash of interests at the highest level concerning state concessions, patronage and corrupt deals. Those who are in power are also the ones who get the biggest slice of the pie. The royal network itself also consist of different ideologies and political orientations – some in a liberal direction and others in much more conservative form, but they all rely on an almost cult type of worship of Bhumipol which makes the stakes for succession even more dangerous (McCargo 2007: 142 and 144). The royal network did not want “Thaksin in a position to exert influence on the passing of the Chakri dynasty mantle to Crown Prince Vajiralongkorn” (Handley 2006b).

Sufficiency economics

The military-appointed government, led by the retired general, Surayud Chulanont, relaunched the idea of a "sufficiency" model for managing the economy. Although in theory this concept centres on moderate consumption, sustainable investment and the bolstering of the economy's resilience to external shocks, it remains unclear how it will be implemented. Moreover, there is no certainty that the next government will continue with this policy approach and it is a also highly contested approach in terms of its many meanings and interpretations from radicalism, Buddhist economics to mainstream. Even the business community and specific companies seems to have high jacked the term “for political and business gains” (Pasuk 2005: 178).

In December 1997 shortly after the crisis had struck the country King Bhumibol used his birthday speech to say, in essence “I told you so.” He attacked political leaders for having taken Thailand along the path of unbridled capitalism and consumerism. Had people embraced his own ideas of a simpler society, he suggested the crisis would have been avoided. …. He hit out at the kind of modern global market capitalism that had overwhelmed his ideal of a humble, dhamma-guided kingdom (Handley 2006: 414). It was greed, which Bhumipol suggested came with the orthodox capitalism preached by the IMF, that was the root of the crisis. The crash could have been avoided if the country had practiced his own economic philosophy.” I have often said …. That to become a tiger [economy] is not important. A self-supporting economy means to have enough to survive … Each village or each district must have relative self-sufficiency. Things that are produced in surplus can be sold, but must be sold in the same region.” …..chasing world markets with surplus production don’t benefit the producers, and only leads to suffering” (Handley 2006: 414). Both the Thai Army and especially the Ministry of Education allocated a substantial part of its budget to educate own personnel and also for direct funding of programmes to “promote self-sufficiency and self-reliance to counter the impact of the economic crisis” (Pasuk 2005: 162).

Sometimes the king himself has called it ‘the new theory’. It is built around a conception of rustic self-sufficiency: ‘enough to live on and enough to eat.’ Oddly, its proponents use the same language that has made Bhutan’s ‘Gross National Happiness’ a famous countercultural exoticism. Anybody who has recently passed through Bangkok will see the immediate disjuncture between modern Thailand and this royal ideology. However, the King’s endorsement

of localism could also be seen as "an attempt to preserve old social bases of power" (Baker 2005: 108). As one illustration, the newest mega-mall, the ostentatious £230 million Siam Paragon in central Bangkok, is even built on land leased from the Crown Property Bureau. Regardless of the many contradictions, before the coup the theory of 'sufficiency economy' was of largely academic interest. It was rhetorically significant but lacked any serious grounding in government policy. Now with a royally-aligned, palace-supported military leadership in charge, the implementation of the King's economic ideas has full government backing (Farrely 2007).

Sufficiency economics were invented by Bhumipol during Cold War and the communist insurgency in the North. In a number of speeches he explained "that the center of his view was the modern maxim promoted by King Vajiravudh: every citizen's paramount duty is to the unity of the nation under the king" (Handley 2006: 200). In the same vein he noted that part of the problem of Thailand's lack of unity was selfish capitalism, which lacked morality and was by nature divisive. Capitalism didn't reward most the hardest workers or those who performed their duty. It benefited more those who took advantage of others, and this eroded unity. Bhumipol said trader and land speculators who took advantage of peasants "may be on side of terrorists." (Handley 2006: 200). He further noted that rural development should be carried out with a high degree of ability, wisdom and intelligence coupled with honesty without any thought of financial gains (Handley 2006: 200). He concluded that modern government had been imported from the West and was not appropriate to Thais (Handley 2006: 201). ….. a non-dhamma concept …. Hard work was introduced as having merit in itself (Handley 2006: 202).

These remarks are reflected in the Tenth National Economic and Social Development Plan (2007-2011) which have set the target of reducing poverty from 13 percent in 2004 to 4 percent by 2011. It also targets the ratio of the richest quintile to the poorest quintile to be no more than 10 times. Very much inspired by Bhumipol's self-sufficiency approach the development plan also emphasised implementation of the "Good Living and Happiness Society Strategy" which consists of five development plans: (i) sufficiency economy plan aimed at building up knowledge and creating occupational skills; (ii) community development and opportunity creation plan focusing on reducing household expenditures (e.g. use of organic fertilizer and vegetable home gardening) and creating market opportunities for community products; (iii) rehabilitation plan for natural resource; (iv) vulnerable people and senior citizen assistance plan; and (v) provision plan for basic services (e.g. health, education, and vocational training). The plans will be implemented through projects jointly designed and implemented by the community leaders, local governments, provincial governments and central government (World Bank 2007).

Thaksin had also used the concept in a strategic way to pursue his populist spending programmes in the sense that his support to local initiatives was a way to exploit rural dissidence, protest which evolved into a rural movement but once he came into power he exposed his lack of interest in the rural and local cause. His main strategy for rural change was "to pump in capital funds. He had no interest in land reform, land-to-the-tiller programmes, tax reforms, or other policies to shift the structural position of peasants within the national economy (Baker 2005: 132). One need to be reminded that 70 per cent of the population lives in the countryside and more than 500,000 farmer households are landless in a situation where there still is plenty of arable land available (Kasian 2006: 28). In reality Thaksin only paid lip service to the ideas of sufficiency and self-reliance, "his economic policies and his true feelings wre clearly diametrically opposed" Pasuk and Baker 2004: 129).

Sufficiency economics with its inward-looking strategy stressing self-reliance at the grassroots level and the creation of stronger ties among domestic economic insitutions was the ideological

device which acted as oppositional tool to overthrow Thaksin. In fact, it was the accusations about corruption and popular support for the notion of sufficiency economics around which a considerable number of social movement, NGOs and labor groups against privatization could gather and find a common cause against Thaksin (Kasian 2006: 36). As noted by Bello: "Taking advantage of the King's popularity, critics claim that the military-supported government that overthrew Thaksin is cleverly using the sufficiency economy to legitimize its rule. Whatever the case, globalization is an unpopular word in Thailand today" (Bello 2007).

Concluding remarks

Although it is to early to review or evaluate the Thaksin Shinawatra government's virtues there is no doubt that it became symbol of resistance and a nationalist backlash against IMF conditionalities and forced deregulation and privatization. During the first election campaign Thaksin and the TRT devoted much concern for the plights of the poor and a harsh critique of Chuan Leekpai and the Democrats' giving in to neoliberal demands from the IFI´s - the claim was being made that they had sold the country to foreigners and devastated domestic business. It is also noteworthy that Thaksin insisted and repaid Thailand's IMF loans ahead of schedule in July 2003. A step partly motivated by earning political points (Ito 2007: 42-43).

On the question of privatization it is not yet clear whether the resistance made by the Thaksin government against demands from the IMF and World Bank was based on a genuine policy shift or on protection of domestic vested interests. Some observers note that the very reason for Thaksin's entrance into politics was a matter of "commercial survival" and because of the effects of the crisis leading capitalists "needed the state" (Baker 2005: 111-112). In 2001, Hewison noted "TRT may be expected to slow liberalisation in some areas. The party may rollback some changes to laws, and to give an 'edge' back to domestic business. That Thaksin is populist is an advantage as the pacification of the class struggle through a credit-sustained boom has been demonstrated in Thailand, and the threat of unrest of the kind seen in Indonesia is a worry for business" (Hewison 2001d: 18). Thai businessmen have took key positions in the cabinet and it quickly turned out that Thaksin attempted to control everything from the courts, the media, and in the end he made a huge miscalculations when he tried to manipulate the reshuffle of the army commander. The last move probably spelled the end for Thaksin because if he had succeeded he would have controlled the entire country's polity. The big question now is whether the military junta is repeating the same policies of which they accused Thaksin. In fact he was probably not greedier than his predecessors. He continued the privatization drive with even more speed than previous governments – military as well as civilian – and this in the usual Thai-style crony and nepotistic way. The major difference was that he did have an eye for the rural masses and he did continue the Keynesian demand-management policies which started under Chuan Leekpai.

In the aftermath of the financial crisis there was suddenly much talk in the media about the need for social policies and even the IFIs urged the governments in the region to establish social welfare states of a kind. Obviously they feared instability and that grave political and social consequences, in a worst case scenario, would set foreign investment in jeopardy and this would spell the end of the EOI growth model. What was at stake was the *growth model without social welfare* of the 'Washington Consensus' and suddenly the same proponents of neo-classical and neo-liberal development strategies saw themselves in the awkward and contradictory situation arguing for the opposite of two decades doctrinaire economic policy recommendations. This U-turn in IFI conditionality had a notable impact on the Thai debate with regard to economic and social policy.

Advocates on both left and right have relied on the idea that, 'civil society' can replace the role of the state. The basic argument in this paper is that 'civil society' at least in its mainstream understanding cannot replace the state, but should make a greater effort into pressurizing the state to take up basic responsibilities and enhance developmental and regulatory state capacities in accordance with its level of development. "There is great danger that the current overemphasis on 'civil society' detracts or hijacks the focus away from what is of immediate importance in any country with high levels of poverty, inequality and social crisis. If 'civil society' includes social groupings and strata like organized labour and the peasantry it makes sense as recent examples have shown that the labour movement has been relatively successful in pushing for the Social Security Act despite resistance from the entrenched politico-business alliance" (Schmidt 2002). In fact the experience with Thaksin and now a military dictatorship show the weakness of Thai civil society and also various factions' attempt to incorporate sufficiency economics as a progressive force in Thai society.

Against this background it is important to note that social safety nets cannot, realistically, be constructed in a short time perspective. Similarly, measures such as attempts to save viable enterprises and active labour market policies can achieve only limited results when they go against the grain of macroeconomic conditions, and mixed signals from the international realm. With a weak 'civil society' and a non-responsive state which "cannot cope with demands, due to lack of resources or loopholes in the welfare system, there will be widespread social problems, discontent, and instability" (Chan 2001: 31). But if the scope of social policy is to promote limited, individualized and temporary social safety nets; thus the current focus on poverty programs per se distracts attention from its two main dimensions: employment and income policies and other social programs besides health, education and social welfare, such as pensions, housing and subsidies to basic consumption; finally, as a consequence redistribution of land, income and resources disappear from the intellectual and political agenda. In this context the current move by the IFIs and business can be interpreted as a conscious way to promote ideological hegemony by distracting the real issues from the domestic and international policy and social agenda and this was also the case with Thaksin. His populist social policy spending programmes were simply a way to buy votes and enhance his electoral base in rural constituencies.

Related to this discussion, the Thai scholar and activist Ungpakorn argues that the Thai working class has been, and continues to be, an agent for social and political change (Husan 2001). According to him the aim of the NGOs is "to channel worker discontent away from strikes and into constitutional channels to press for social reforms. Rather contradictorily, the NGOs supported the 1997 constitution that barred all those not having a university degree from standing in parliament." The NGOs are advocating a 'left nationalist' politics seeking to side with domestic capitalists against foreign capital. The NGOs concentrate on trade union leaders rather than the rank and file with the aim of setting up national tripartite institutions. "Such a plan, however, finds resistance from trade union activists who oppose the strikingly termed 'stinking water trade union leaders' (named after the famed back street sewage drainage in Bangkok) of which there are three types: gangsters, stooges of the security services, and fat cat bureaucrats. This might help explain why the union density level is only a little over three percent but, Ungpakorn argues, their baleful influence is offset by thriving networks of unofficial activists in 'area groups' and 'coordinating committees'"(Husan 2001). This is partly also the conclusion of Deyo who asks: How do we explain the continued political marginalization of popular-sector groups in shaping of strategies of reform and crisis management, especially in matter of particular interest to workers? In part, the answer lies in political coalitional fragmentation and competition among farmers and labor groups together with cooptation by elite groups. However, the more general explanation

should be found in four factors: The continuance of existing political constraints, uneven strategic rescaling as between labor and capital, intensified economic and structural demobilization, and political institutional changes associated with the reforms and crisis" (Deyo 2000). One problem is related to the fact that Thai unions operate as representational associations, lack legal protection; there is a lack of a shared vision between NGO´s and trade unions; unemployment and a weakened bargaining position as a result of the crisis; the lack of public debate about common national important development and social policy issues and in general the move from public to private and closed elite based circuits of important decisions; move away of decision-making power from line-ministries to the Ministry of Finance has reduced popular access to the bureaucracy (See Deyo 2000). Furthermore, various studies have shown that civil society participation is low and some even claim that it has "been "captured" by elite-led, if not state-led leadership...Far from being a vanguard, civil society is firmly within the mainstream of conventional political discourse." (Albritton and Bureekul 2001:18).

Nevertheless, the 1997 financial crisis turned Thais against neoliberal globalization. Even after the Thaksin government refocused on stimulating domestic demand through income-support for the lower classes in the countryside and the city, "popular sentiment went against free trade. On Jan 8, 2006, several thousand Thais tried to storm the building in Chiang Mai, Thailand, where negotiations for an FTA (free trade agreement) were taking place between the US and Thailand. The negotiations were frozen; indeed, Prime Minister Thaksin's advocacy of the FTA became one of the factors that contributed to his loss of legitimacy and eventually his ouster from power in September 2006" (Bello 2007). The King's first post-crisis speech as quoted above could also be interpreted as "a practical anticipation of what had happened in previous, less severe downturns – namely, that the burden was passed back to the villages" (Baker 2005: 115).

Globally, flexibility has become the buzzword for dismantling of the welfare state, even of the sort of hybrid welfare state in Thailand, but this issue is seemingly being contested from below by demands for democratization and social reforms. The debate about social policy in Thailand has so far been dominated by those who believe in neoliberal ideology, which essentially is a matter of identifying needs, solve problems and create opportunities at the individual level. "The causes behind the needs for support are believed to rest overwhelmingly in individuals and sub-cultural defects and dispositions. Responsibility is deflected from states and national economic, administrative and legal organisations to individuals and groups. Little attention is paid to the interacting consequences of economic and social change for families, employment, taxation, housing, social security and public services" (Schmidt 2000a: 166).

In conclusion, it should be emphasized that the institutional apparatus through which dialogue on the consequences of the crisis of social and economic adjustment could occur is absent. Evidence shows that the examples of cooperative labour-management relations are "(i) likely to be in the minority, and (ii) slower to diffuse in the absence of a well-developed trade union movement" (ILO 1998 cf Schmidt 2002). Given this background it would be wrong to describe Thaksin's policy as either new or old Keynesianism. It was rather a short term temporary pro-active policy to ride the storm and to avoid turmoil. A new type of import-substitution is probably emerging, but it can easily survive side by side with the emphasis on exports. One consequence common to both the privatization drive of state enterprises and all three social policy sectors are "the increasing role of the private sector in the provision and/or financing of social programmes. Provision by non-state actors is portrayed as being more efficient and even moral, whereas provision by bureaucratic organisations is described as expensive and fostering welfare dependency" (Ramesh 2000: 181).

As a post festum it is indeed necessary to stress the need for more policy research to assess the validity of assumptions that underlie market-oriented reforms, and the options for, and constraints on, development of efficient and equitable public health, education and social policy sectors. Furthermore, there is daring need for more research into the deep rooted causes of poverty and inequality which in most cases can be removed only by structural interventions such as land reforms and other types of redistribution, educational expansion and reforms of state institutions and credit systems.

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