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Thailand's Troubled Economy: New Cabinet, New Hope?

By Kaewkamol Pitakdumrongkit

Synopsis

General Prayut Chan-o-cha's reshuffled cabinet includes a new economic team led by Dr. Somkid Jatusripitak, a seasoned hand in handling the economy. To revive the Kingdom's economy, the new team must quickly undertake multi-faceted policy actions.

Commentary

THREE DAYS after the devastating bomb blast at the Erawan Shrine in central Bangkok Thai Prime Minister Prayut Chan-o-cha's reshuffled cabinet was approved by the King. The bombing, which killed 20 people and injured scores more, had struck a big blow to the country's tourism industry, which accounts for some 10 percent of its GDP.

That day the National Economic and Social Development Board slashed its 2015 GDP growth forecast from 3-4 percent this year to 2.7-3.2 percent. The new cabinet appeared like a silver lining in the gloomy outlook.

Eyes on new economic team

Of all the cabinet changes, most eyes turned towards the new economic ministers - the so-called "Dream Team", led by Dr. Somkid Jatusripitak who replaced Pridiyathorn Devakula. With his credentials and experience, Somkid is a familiar face in Thai politics as he had previously served as deputy prime minister, finance minister and commerce minister. He received his PhD in marketing from the Kellogg School of Management, Northwestern University.

Gen. Prayut has given a free rein to Somkid to manage the economy. The incoming individuals to fill in some key positions have known and worked with Somkid before. Some of the new faces were said to sync well with him. Examples include Apisak Tantivorawong (finance minister), Uttama Savanayana (the information and communications technology minister), Suvit Maesincee (deputy commerce Minister) and Omsin Cheevapruek (deputy transport minister).

As for other key positions which interact with the international community, civilians were promoted or selected to replace the incumbent military personnel. For instance the new foreign minister is Dom Pramudwinai who succeeded Gen. Tanasak Patimapragorn. Dom's track record reveals his vast

experience and networks as he is the former ambassador to several countries including Germany, China, and the United States. Such reorganisation will undoubtedly facilitate Somkid's work as the Dream Team's leader.

If the junta's primary goal was to boost confidence, this cabinet reshuffle immediately achieved that. On 20 August, Bangkok University released its opinion poll which surveyed about 1,200 residents aged 18 and above. The nation-wide poll found that 47.6 percent of the respondents viewed the new line-up more favourably than the previous one. 65.8 percent believed that a smaller military role in the cabinet will enhance its credibility among foreigners.

Dream Team's challenges

Yet, the poll revealed that expectations ran high for the new economic team. Some 66 percent of individuals surveyed were confident the team will alleviate the country's economic sluggishness. Also, 54 percent of them believed that the team will roll out policy actions which will effectively improve the country's economy. The top three items that the Thai public wanted the revamped cabinet to tackle immediately were falling prices of agricultural products, rising cost of living, and the restoration of market confidence in the tourism sector. Clearly, there is no honeymoon period for the Dream Team.

The Dream Team will inevitably face a challenging task to stimulate the country's troubled economy. For instance, domestic consumption has been weak. High household debt has discouraged spending. The recent drought undermined the agricultural sector, which employs about 30-40 percent of the entire population, painting another grim prospect. Private investment fell because of the rising labour cost and skilled labour shortage. There appear to be some signs of Thailand losing its competitiveness as some activities were relocated overseas. Moreover, the global economic slowdown and falling prices of agricultural goods continue to harm the country's exports.

To revive the economy, the Dream Team must act quickly. For example, it must speed up the implementation of government spending projects, especially mega-infrastructure ones, to boost employment and grass-root purchasing power. Long-run plans for industrial upgrading, skills training and innovation (R&D) must be put in place to increase the productivity of the exporting sector. Small and medium enterprises (SMEs) should be given more access to finance and technical support.

Regulations on foreign equity restrictions and foreign investment protection must be adjusted to raise opportunity for international joint ventures, attract foreign investment, and restore market confidence. Additionally, efforts must be stepped up to form special economic zones, border trade zones as well as identify the locations where industrial clusters can be formed to further draw in investment.

Yes, this sounds like a daunting task that Somkid and his colleagues must undertake. Will his Dream Team live up to expectations? The time is running out.

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