



## THAILAND – STILL A PARADISE?

By  
David Lyman  
Chairman and Chief Values Officer

Let's see: what has affected Thailand of late? The continuing world financial meltdown since mid-2007; petroleum and Thai agricultural prices see-saw and flip-flop; local political turmoil since September 2006 which at times boils over with some but little violence; four successive Prime Ministers in 2008 alone; Government House and Bangkok's airports terminal buildings occupied in latter 2008 by political protesters in major Thai-style civil disobedience; major Thai political parties ordered disbanded by the Thai courts for election frauds and violations and their executives barred from politics; continued unrest by separatists in the South; a couple of fires on New Year's Eve with loss of lives. Sounds like bad news, yet to those of us who live and work in this wonderful country with its 66 million inhabitants, we see that somehow, in spite of its inept governments and its lackluster parliaments, Thailand survives, the Rule of Law generally prevails, the currency has remained relatively stable, and there is still plenty of food to feed the populace. In the economic and investment arenas Thailand once thrived and now has slowed down. Will it thrive again? When?

### As It Used to Be

For the better part of five decades prior to the Asian Financial Crash of 1997, Thailand was a well-kept secret known to and enjoyed by a lucky few foreign investors and entrepreneurial Thai-Chinese and a few Indian merchants and bankers. Many of us who were fortunate enough to stumble upon this land found it to be as close to a paradise on this planet as one might ever dream to find. The living was easy and reasonably priced; the attractions were plentiful and smiling; the communities, Thai and foreign, were intertwined, hospitable, cordial and with few barriers; and the governments, though military dictatorships paying homage to a constitutional monarch, were traditionally benign and business friendly.

For life in Thailand (some old-timers still prefer the age-old name of Siam) to be truly enjoyed, the foreigner had to accept that even though things were not efficient here, the thinking was different and the concept of time was of lesser importance than those steeped in the tradition that time is money; one learned the application of the truism that patience is a virtue. We learned "The Thai Way," "The Middle Way." Be accepting to be accepted, and to be accepted was contentment. Thailand and its people and places were indeed endearing.

Thais prefer to avoid confrontation when possible. A typical Thai solution to many of its problems has been: "Let's eat." Thais love to eat. Because of its fertile fields and tropical climate, food has been varied and plentiful for local consumption as well as for export, and the fame of Thai cuisine has justly spread across the globe.

I used to refer to Bangkok as an "outpost in the greater business world of Asia." So much focus then and for so long was on the economic miracles of Tokyo, Hong Kong, Seoul in north Asia, increasingly so on Singapore, and to a lesser extent to Indonesia. Occasionally the Philippines, Malaysia, and Taiwan grabbed some headlines. China, Vietnam, Laos, Burma and points west, to the foreign investor, being or becoming communist or otherwise unfriendly states, were then off the charts. That left Thailand, the calm and relatively peaceful eye of the political-military typhoon which was swirling around it. And here we fortunate few grew and prospered. Not outlandishly but comfortably.

## Struggles and Wars in SE Asia

With the early post WWII years came the expulsion of the French from Indochina, the Dutch from Indonesia, the British from Burma and Malaya, the Americans from the Philippines, and the Nationalists from the mainland of China. These deaths of colonialism led to the buttressing of these newly independent states to stand against the spread of communism to preserve their new-found ways of life. Thailand, being strategically in the geographic center of events, and with a staunchly anti-communist monarchy and government, threw in its lot with and became the focal point for US and allied military buildups to thwart the communist invasions, ideological and military. "Democracy and capitalism" became the battle cries of emerging economies of Southeast Asia, and the West poured money into them. Little tigers they were.

Finally, after two decades of war, many deaths and destructions, displacement of populations, and massive infrastructure developments here in Thailand, the wars in Laos, Cambodia, and Vietnam were eventually, actually, won by all sides of the warring parties. Think about it. In the countries affected, nationalism prevailed over communism and foreign intervention on the one hand and, on the other hand, the spread of communism was stopped with democracy (self-styled) and capitalism prevailing over the economic disasters of communism with its system of centrally planned and controlled economies. Look at China, Vietnam, Cambodia today, still communist in terms of their politics but in the context of their economies, their infrastructure, manufacturing and service-based economies and financial markets, very capitalistic. Even Laos is coming into the capitalist fold. Still, lots of government controls abound in the governments of the Indochina Peninsula, but essentially they are all open to domestic and foreign investment and tourism and cultural adaptation.

## Recovery

And so in the late 1970s and early 1980s the countries of Southeast Asia, particularly Thailand, thrived. Western culture permeated the youth through the advent of TV and the increasing exposure to American movies, the spread of mass media and advertising, the lowering of trade barriers and rising imports of western products, students being educated abroad, and western schools setting up in Thailand. Soon foreign manufacturers, particularly from Japan and the US, found the Thai workers willing fast learners and hard-working. Government-sponsored investment incentives and industrial estates sprang up to take advantage of Thailand's then relatively cost-efficient labor and its strategic location, especially for air cargo. With its receptive attitude and genuinely friendly people, its unique and open culture and its natural resources, forests and beaches, tourism and the hospitality sector quickly became the main earners of foreign exchange.

With the post-Vietnam War peacetime finally won, throughout the 1980s and the early 1990s almost all investments blossomed, particularly in Thailand. "Build it and they will come," so to speak, was the spirit. Land speculation and the construction industry boomed in anticipation of major business expansions and the speculations of population shifts to condominiums and businesses to modern high-rise office buildings. The construction crane became the Thai national bird. Once I counted 67 of them from a high vantage point in just one part of the city.

Thailand's women are the nation's hidden strength. Thai women occupy major positions in the fields of government, politics, the judiciary, civil and diplomatic services, business, the professions, culture, entertainment, and academia, and in NGO and activist roles. In the eyes of the law, they are the equals of males (if not better), and they vote. Ask any foreign investor and he/she will tell you that he/she relies on the country's female work force to get their jobs done and for the successes of their enterprises.

Thais do not like to be pathfinders but in this era, they forged ahead in the world of business development. Thailand enjoyed double-digit growth year after year after year.

## The 1997 Asian Financial Crisis

The good times didn't last. Excessive spending and indulgences permeated this Thai world of plenty as if the orgy of greed and expansion was unbounded. Corruption was rampant and accepted, unfortunately, as a way of life. People forgot or just plain ignored the fundamentals of economic wisdom and prudence. Borrowing money was easy.

Credit worthiness criteria were ignored. Lots of speculators borrowed cheap USD at 7-8 % interest, converted the dollars to Thai Baht at what was almost a guaranteed fixed exchange rate of Baht 25:USD 1. Then these Thai funds were deposited into Thai-based banks, where there was a shortage of expensive Thai Baht, at 12-16% interest for a profit spread of 4-9%. Then the borrower reconverted the Baht proceeds back into USD at the same fixed exchange rate and repaid his USD loan. What a beautiful natural unregulated arbitrage. A no-brainer with virtually no risk of bank failure or devaluation. How long could the euphoria last?

The private sector foreign exchange debt far exceeded the conservative government debt, but the pundits of caution were drowned out. Some savvy bankers in late 1996 began to sense the weaknesses in the Thai currency and gave warnings. Even as late as May 1997 some of us less-educated business persons predicted the devaluation of the Thai Baht, though we missed D-Day (Devaluation Day) by about two weeks. We thought there would be about a 10% fall max against the US Dollar. Little did I and my friends anticipate the drop from Baht 25:USD 1 to Baht 53:USD 1 over the period from July 1997 through year-end 1997.

The “Asian Financial Crisis”, starting in Thailand in July 1997, quickly spread throughout Asia. Thailand was not the cause of the Crisis because most of Asia was being self-indulgent, borrowing far beyond its means to repay and violating prudent precautions against unexpected downturns. When repayment demands hit them, many domestic companies quickly found their companies in bankruptcy courts. The Non-Performing Loan ratios of local banks skyrocketed to 60% or worse. The governments stepped in with public funding to bail out what banks were worthy of bailout and let the other financial institutions fail. Fortunes were lost even among the establishment families. Most innocent creditors who sold on credit suffered.

#### The 2008 World Financial Meltdown

OK. Let's fast-forward. The surviving banks of Thailand and the rest of Asia learned their lessons about banking and lending basics. The NPLs were sold off at deep discounts to the likes of Goldman Sachs, Merrill Lynch, Lehman Brothers, Bear Sterns, and Morgan Stanley. The governments recovered their investments to prop up their economies and built up substantial reserves to see them through future crises. The lessons of 1997 included Thailand adopting its best Constitution ever, and the first one to be approved by public participation in its drafting and a nationwide referendum. Foreign investment began to flow back into the country. China, followed by India, became powerhouses, magnets attracting the world's money and talent, soaking up the natural resources, commodities, steel, cement, petroleum, and machinery of surrounding countries and the world. Asian emerging economies sold vast quantities of whatever they had to China and bought some of the many exports of China. Japan, though still a giant, became an immobile giant taking about 10 years to fix its own economy. So China and Southeast Asia began to shine.

In the mid-2000s the greed and irresponsibility of the money managers of the UK and the US began to choke on their fiscal creations of derivatives, subprime mortgages, and other virtual money instruments. These came on the heels of multiple corporate scandals one after another of manipulated financial statements, unethical behavior and practices by senior management people who thought they were untouchable and who saw nothing wrong in propounding unsafe, imprudent, and fraudulent management objectives and techniques with the losses they caused to their shareholders, staffs, customers, communities, and other stakeholders. Personal integrity? Corporate responsibility? Forget it! In 2008 the excesses came home to roost in the West. Once again governments had to come to the rescue of those who caused the grief. Yet Thailand was relatively unscathed by this turmoil, though it is not without its own share of scandals.

Thanks to learning lessons from the 1997 fiasco, Asia, including Thailand, saved cash and borrowed prudently. They have so far weathered the 2008 ever-worsening financial storms fairly well and pretty much intact even as US consumers and Chinese and Indian manufacturers stopped buying and producing, respectively.

#### 2008 – Paradise Takes a Battering of Its Own Making - The Current Thai Political Scene

Corn- and sugar-based alternative fuels influenced lead to brief commodity shortages. Prices of rice and other foods and then petroleum peaked mid-year to unimaginable high prices. And prices plummeted thereafter almost as

quickly. World shipping rates plunged 90% as trade cargo markets dried up. A “credit crunch” has descended upon us with banks being most reluctant to lend for fear of their borrowers defaulting in droves – witness the mortgage defaults in the US and UK. Predictability in the financial and securities markets went the way of the roll of dice.

Furthermore, Thailand has been beset with its own homegrown political problems which have soured the business climate already tainted by the money and market problems of the West. Its first billionaire businessman Prime Minister was elected in 2002 and he got off to a good start as the people’s charismatic PM with his government-funded schemes to meet their perceived and actual needs. He was driven by his vision to change the status quo. The face of Thai politics was changed and updated with policies and practices which addressed the needs of the rural poor by word and deed. But nepotism, cronyism, greed, money and policy corruption, ignoring criticism and good advice, and the poison of the exercise of unbridled power soon got the better of him and his political party and some of his Cabinet ministers. By such abuses, his downfall was ordained to occur.

September 2006 saw the military stage its most recent bloodless coup which ousted this elected PM (heavy money politics and rampant vote-buying helped ensure that the best people were not necessarily elected to public office – but that is not unique to Thailand). Their interim government was an exercise in how not to run a government. Overreacting to their mistrust of the businessman ex-PM, then and still in self-imposed exile, it was not supportive of business. Under a new 2007 military conceived replacement Constitution, new parliamentary elections were held. Much to the chagrin of the military, the party of the deposed PM won again due to its popularity in the north and northeast. The military accepted the outcome of this democratic exercise. The opposition party won in the urban areas, the central, and south. The rural-supported party was in the majority and elected a series of ineffective leaders as PMs who did not last long in office.

Burdened by its own ineptitude and corruption and faced with the burgeoning and vocal dissident “Yellow Shirts” movement and their camp followers, the ex-PM supported government was pretty much in disarray for all of 2008.

Thailand being Thailand, throughout it all tourism boomed. Foreigners and foreign visitors were not affected. Exports continued to grow. But new investors were drying up as funds for overseas investments by corporates and venture fund managers and investment bankers were no longer looking afar, except for China, focusing on saving their own existence in sinking stock markets.

Then in August of 2008 Thai political agitation flared with the “Yellow Shirts” taking civil disobedience to new frontiers by invading and occupying Government House, the seat of government, and later to test occupying airports in Phuket and Krabi for brief periods. A nuisance but not disruptive. In the height of the tourist season and in the name of destabilizing the unpopular government through their efforts to block the return of the former PM Thaksin, and to pressure the parliament not to amend the Constitution to exonerate the deposed PM as the majority political party threatened to do, on November 25 until December 3, for a critical eight-day period, they occupied the terminal buildings of the two international airports in Bangkok, leaving the rest of the airport complexes free to function. They did not seize the airport or shut down passenger air travel and air cargo in and out of the country. The Airport Authority of Thailand issued that order because what they saw was a siege being a threat to safety. The police and the army refused to intervene. The now ineffective government was powerless to stop or evict the protesters.

The protesters were relatively well-disciplined with no looting or property damage at the airports and no breaching of security areas and very few people hurt. The protestors even kept the buildings tidy and shared their food and medicines with stranded passengers. Nonetheless, the airport shutdowns were unprecedented in the world and did significant damage to the Thai economy and those who depended on who and what flies into and out of the country. The world was appalled and so sympathy with the Yellow Shirts waned. The Constitution Court saved the day when on December 2, 2008 it ordered the disbanding of the ruling party and two of their coalition parties. Thereupon the Yellow Shirt protestors withdrew from both airports and Government House and retired to their homes and normal lives ending 193 consecutive days of non-stop protests.

The “Red Shirts”, supporters of the ousted PM and his political machine, began to flex their muscles, also in civil disobedience and at mass gatherings of the believers. But they are far less well-led or organized or funded or supported as their nemesis in Yellow. Yet they mustered thousands of supporters who wanted to see radical changes in the Thai political landscape.

The end of 2008 saw Thailand with its fourth PM in the year. The current PM is much-needed new blood, young (age 44), a professional Oxford-educated, honest, dynamic but even-handed, savvy politician from the opposition Democratic Party. He has been groomed to become PM since he entered politics 20 years ago. In mid-December his party gained control of the Parliament through astute political maneuverings. Breaking the deadlock, he brought together disparate and often antagonistic political fiefdoms into a cohesion equating to a changing of the guard. It might just work. He now leads what could be a shaky coalition government with a mixed bag of ministers, some extremely capable and some just political hacks. How well they will govern awaits determination. But stability and quiet have returned and everyone has breathed a collective sigh of relief. In mid-January 2009 bi-elections, his party and coalition buttressed their lead in parliament and captured the governorship of Bangkok.

### The Rule of Law

With the encouragement of HM The King to do their duties to preserve and protect the peace, stability, and security of the country, the judiciary, particularly in the Supreme Court, the Constitutional Court, and the Administrative Court systems, has risen to the challenge. They are free of political interference, do not bow to threats and are better trained to decide on issues of modern life which did not exist or were overlooked in years past. They are working with the independent agencies established under the 1997 and 2007 Constitutions to reduce corruption and abuses of power.

Despite the political bickering and infighting, the Thai parliament still functioned to pass laws, many of which were important pieces of legislation. In 2007 and through August 15, 2008, we have listed some 44 major parliamentary Acts such as the law relating to human trafficking, amendments to the public company act, the computer crimes act, a products liability law, revisions to the building control laws, creation of trusts in capital market transactions, deposit protection insurance, credit data business operations, money laundering amendments, condominium act major revisions, escrow agents law, and so forth. The business of government and governing this large country, the size of France, continues; the national parliament remains in operation; provincial, municipal, and local assemblies and councils function; and the national and other civil services keep the country running. The military for the most part remains in barracks. The courts, prosecutors, private bar, police, and other law enforcement agencies are active and doing their jobs within the concept of the Rule of Law.

Despite the image of chaos which may have been depicted in the world's TV and print media, that image is flawed. It is so easy to criticize Thailand. But this nation is not stymied any more than say France or Japan or Australia or Greece or Brazil or South Africa or Canada or India or Italy. Yes, it has its share of political pains and shortcomings, quirks and idiosyncrasies and income disparity, but name me a significant nation which does not. Thailand is a fledgling democracy, though not perhaps as defined idyllically in the West. But in its own way and in its own style, it works. "This is Thailand" and it is "Amazing Thailand," as the PR and marketing slogans state.

### The Answer to the Ultimate Question

So this brings us back to the ultimate question: Is Thailand Still a Paradise? In my opinion, the answer is "Yes." Despite all, Thailand is an incredibly lucky country. It always seems to eventually land on its feet after dealing with adversity piled upon adversity. I have been quoted before as saying, "Thais will eventually do the right thing after they have exhausted all other possibilities." Though it appears to the contrary and except for a detour here and there, Thai politics have really headed to doing the right thing of addressing the country's ills and misfortunes and healing its wounds. Just because the former PM got way off track does not mean that many of his new policy ideas were not sound. Even blatant grand corruption, though ignored or covered up in the past, is slowly being exposed and addressed. As to the private sector, the Thai domestic corporate and business worlds are beginning to embrace Corporate Social Responsibility, Good Governance, and responsible environmental practices.

The Thai political turmoil is still far from being resolved, with the ousted PM still fighting to regain his name and fortune against a Supreme Court conviction under the anti-corruption laws, and more civil and criminal cases pending against him in various stages of development, and Baht 76 Billion of his funds having been seized and frozen in Thailand, and an estimated USD 4.5 Billion of his alleged funds having been reported as being frozen in the UK. His is an uphill battle.

If the political infighting is repressed and those now in the seats of power finally begin to look outside themselves to what is in the best interests of the nation, then Thailand can and will return to its progressive development. It is no longer just an outpost – one look at the 2008 national multi-lane highway networks, nationwide electricity grids, modern international and provincial seaports and airports, cell phone networks, internet and website coverage, Bangkok's expressways, sky trains, underground subway systems, and the skyscraper skyline of this capital city from my office window shows Bangkok today, now a city of about 14 million inhabitants (with its area being three times the size of the whole country of Singapore) having transformed itself far beyond the imagination of my parents when they came here 60 years ago. Way back then Bangkok was a mystical oriental city of shady tree-lined roads and lanes with *klongs* (canals) flowing alongside supporting a population of say 700,000.

Thailand is indeed "The Land of Smiles." And it will remain so even with its political soap operas. I would not trade it for another land. Do not sell this proud nation short. Those of us individuals and companies and NGOs and governments who know this country believe in its future. You should believe in it, too. I do.

Contact Information:

[David Lyman](#)

Tel: +66 2653 5599

©2009 David Lyman

## **Tilleke & Gibbins**

Bangkok | Phuket | Hanoi | Ho Chi Minh City

[www.tillekeandgibbins.com](http://www.tillekeandgibbins.com)