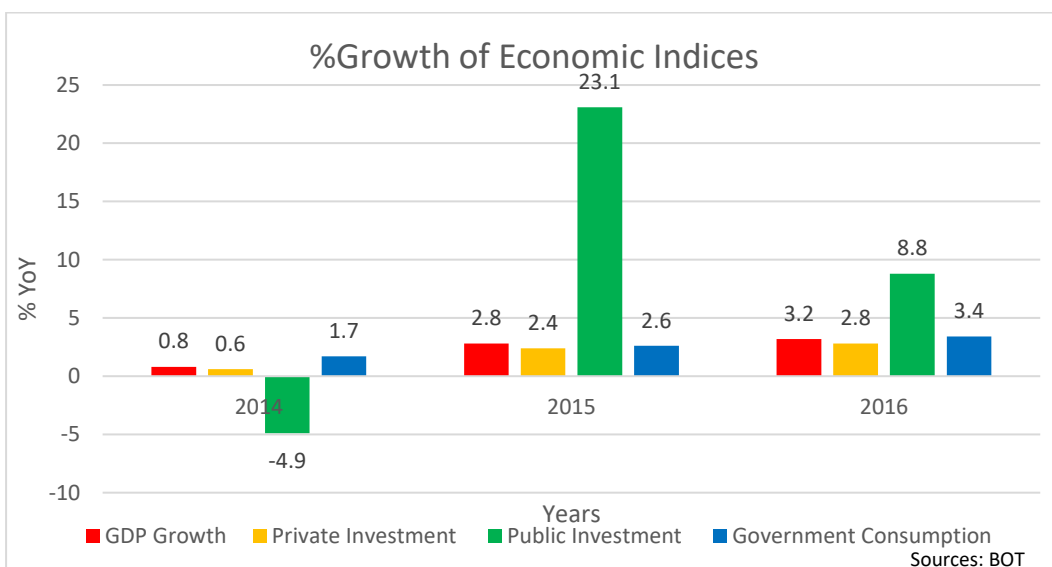
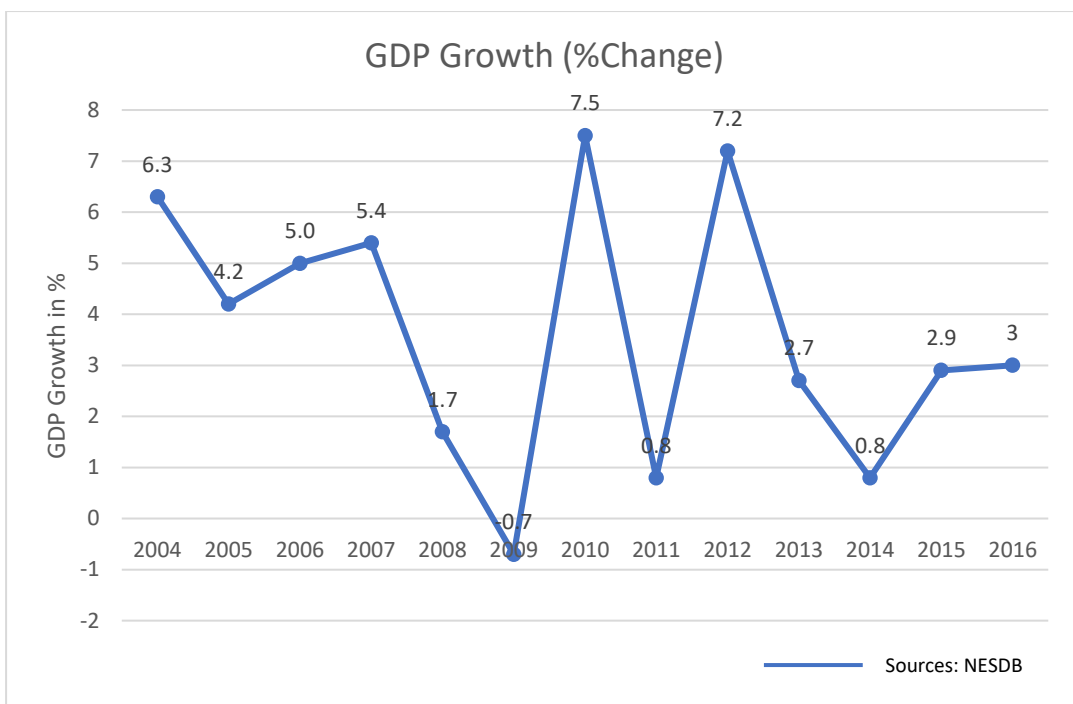


## How Coup d'état affect Thailand Investor Decision

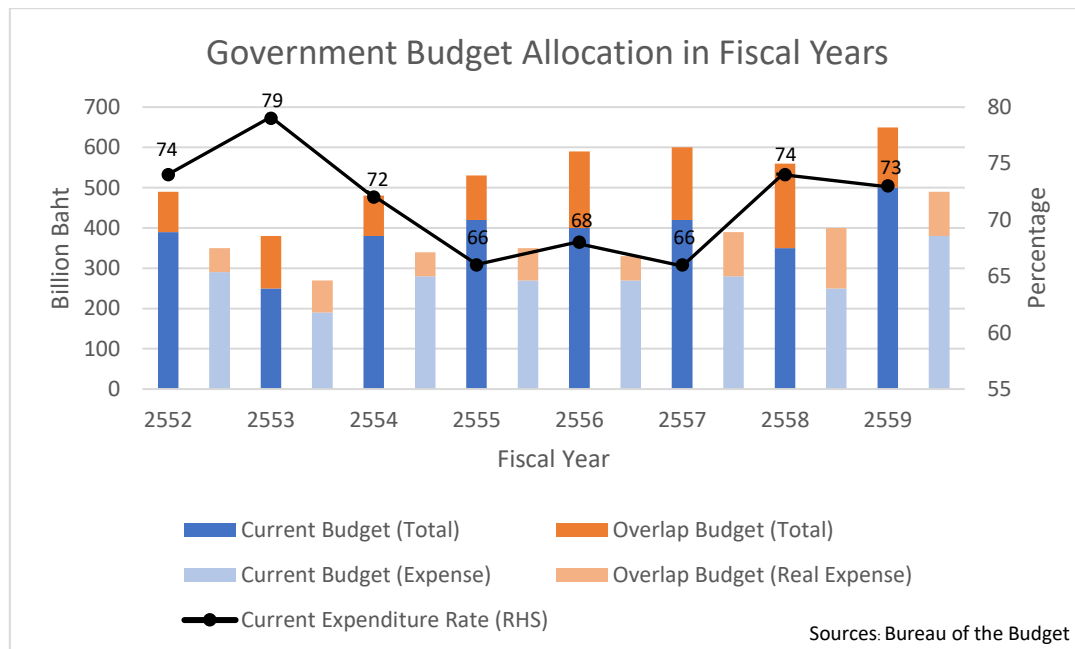
Thailand ranks second of the successful coup d'état, followed Haiti which rank number one. This can simply reflect the continuous instability of the political system through out of Thailand's history. Thailand political currently use a constitutional monarchy whereby the Prime Minister acts as head of government and hereditary of monarch acts as head of state. This system was meant to decentralize administrative power and allowed citizens class to independently govern themselves. Yet, from Thailand political history, it clearly unable to state that Thailand has a successful democracy system. Although, Thailand successfully launched a "bloodless Coup d'état in the two-recent attempt" (in 2006 and 2014.)

Surprisingly, this two political reform attempts have been supported by some segment of household sectors especially those who live in metropolitan area such Bangkok, Nonthaburi, etc. Cut aside the possibility of propaganda implementation by whoever behind these succeeded Coup d'état, lack of confidence in government sectors because of the notorious corruption by Thailand politicians is a sign of deteriorated government sector. Lack of good institution would obviously disrupt the development process of the country especially economics developments. Though, "bloodless" Coup d'état didn't mutilate Thailand "physically" like in the past, it still depletes the "mentality" within country. Foreign and domestic confidence and expectation has been wavering ever since.



GDP growth is revised up slightly in 2015 due to higher-than-expected private consumption and public investment, while growth in 2016 is revised down due to the slow recovery of foreign demand and private investment. Public investment and fiscal stimulus measures help shore up private sector confidence and boost investment related to government projects, particularly the Public-Private Partnership projects and residential construction along the new sky train paths. Current government lead by military junta see the needs of increasing public investment as it has been decline in terms of percentage to GDP, they have increase the ratio of public investment to GDP from 16.7 percent to 20 percent.

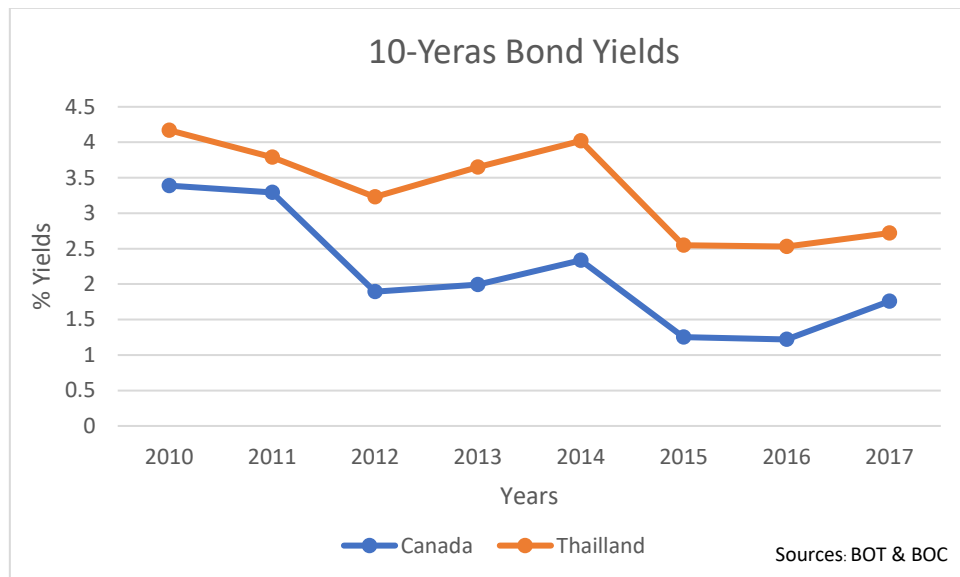
Though, Thailand have larger budget for investment, still government sector cannot use it effectively.



This ineffectiveness can be clearly shown from the overlap government budget year in fiscal year or incurring expense from the result of expanding fiscal policy. The actual expense of government budget in each fiscal year cannot contribute to the Thailand economics as much as it should be. This could be reflected from the rate of actual expense of government budget decrease from 70 percent in 2008-2012 to 66 percent in 2014. However, there is an improvement of this rate after the coup d'état in 2015-2016.

Now, let's look from the private sector point of view, the rationale why investor despite coup d'état, it simply because of the consequences follow called "country risk." This type of risk simply defines as "the broader notion of the degree to which political and economic unrest affect the securities of issuers doing business in a particular country." Let's assume that you are considering purchasing either a 10-Years bond issued by the government of India or a bond issued by the government of Thailand. Which bond is more likely to default? Aside the political instability, the equally biggest reason is economic instability. Looking further, how to solve this economic instability, assume all investor focus on making highest profit and also if we take the "high risk, high return" logic into the consideration. As you can imagine, India would have much less country risk than

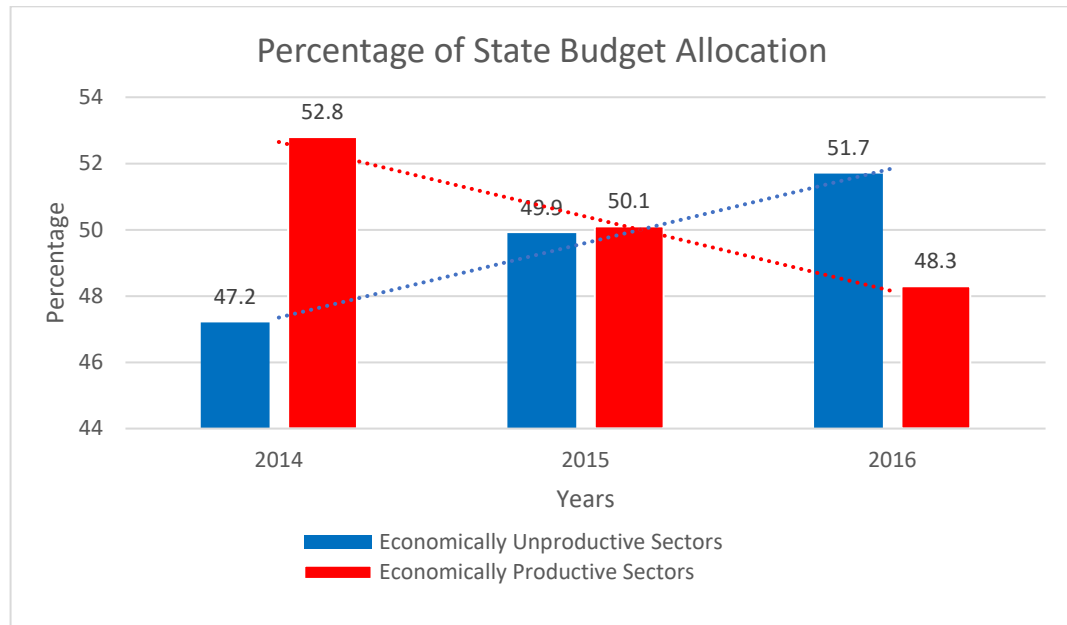
Thailand, but in exchange Canada bonds will yield less than the Thailand bonds. As a result, the presence and degree of country risk makes it more expensive for many emerging economics or struggling countries to borrow money. Nonetheless, investor would take the higher risk if they know all the consequences they would have to take in this investment decision. These so called “Consequences” can be metaphor as policy implemented by government.



After the 2006 coup d'état, the 10<sup>th</sup> - 12<sup>th</sup> NDP (National Development Plan) were clearly unrefined compare to its predecessor the ponderous and unpractical words has been main themes for 10<sup>th</sup>-12<sup>th</sup> NDP such as the words “sustain, equality, fairness, etc.” were put into the plan but didn't clarify state how to do so. As a result, government were struggle in recovered Thai economic back to its normal shape as “Thailand” was consider as one of the “Asian Tigers.”

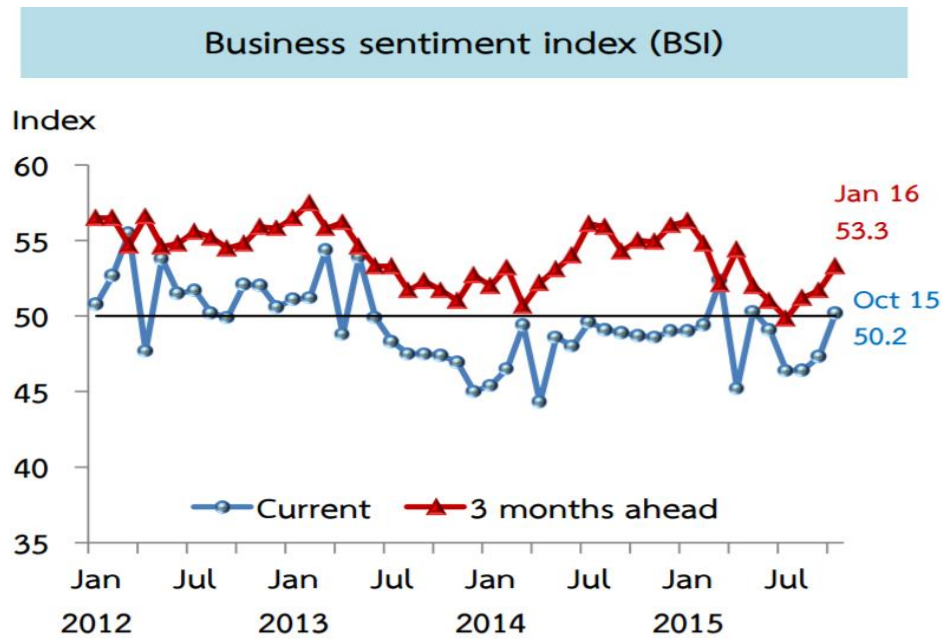
The long-term economic growth seemed to be more clouded as the 2006 and 2014 military juntas comprise of CDR (Council for Democratic) and NCPO (National Council for Peace and Order) allocated government budget in non-productive spending such as defence and administrative division which do not improve the productivity and generate the country's overall output. By the fiscal year of 2007-2008, the defence budget and central fund was change in value 24.3% after the CDR coup. While the agricultural and education sectors which were meant to develop the national GDP and productivity had been allocate around

0.6% and 6.7% respectively. According to the 10<sup>th</sup> Thailand Development plans, there were meant to focus on human capital development which they meant to moved towards “sufficiency economy.” Same concept applies to the 11<sup>th</sup> Thailand’s National Development Plans which derived from the guiding principles of the 10<sup>th</sup> NDP but the percentage of government budget allocation slightly improve for the agricultural and educational sectors which account for 2% and 16.8%, better but not enough



Sources: Bureau of the Budget

. Observing from the recent “Budget Appropriation by Strategy” published by bureau of the Budget in the past few years. The budget tends to increase in economically unproductive sectors which are comprise of national security, general administration, governance management, and restoring confidence and mobilizing the establishment of good foundation for the country. while the economically productive sectors such as educational, science and technology, economic affairs, and natural resources management tends to decrease.



Note: If BSI <50 indicated the business sentiment worsen

Business Sentiment Index or BSI represent the confidence of the private investor toward the business environments. When there is a political turmoil, the investor confidence clearly drop like in 2013. BSI index even worsen when 2014 coup d'état occurred. Nonetheless, investment in economically unproductive sectors is not always wrongful. Clearly government objective, conduct, and procedure are not harmoniously uniting and strong enough to induce foreign investor to invest in large scale like the past. Yet, the allocation of government budget during the reign of military junta should not be too cluster specific. And if military junta really want to invest mainly in national defence and administrative division, they must state it clearly. Looking in the term of fairness in investment, investors should know all the risks they really have to take in order to making proper investment decision instead of “shadowing” it by writing the ambiguous national development plan. Rational investor would finally weigh the “risk” and “return” they would have to take and receive. Investor expectation and confidence would continually deteriorate if government led by military junta continue to act like this.

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