

## **International News Perspective on Thailand A Case Study of Rice Pledging Scheme Policy in 2011-2014**

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### **Abstract**

The rice pledging scheme is a policy that aims to support Thai farmer by providing a high rate of money to loan to pay for rice production. The policy has been criticized since the beginning, before the victory of Yingluck in general election that it may impact the rice market mechanism. Besides she was the first female prime minister in Thailand, her policy promised the farmer by giving the price for rice pledging 50% higher than the price of the market; therefore, she called the attention from people in rice industrial including the political economy media. After the first period of rice pledging ended, it turned out that most of the farmers were not receiving the money. Overall economic performance was in a concerned state. Therefore, this study analyzes the perspective of international news to Thailand economic performance that had been affected by the rice pledging scheme in Thailand over the period of 2011-2014 using content analysis. The research shows that the policy gave a negative impact to both farmers and the national economy. The conclusion of this study is the policy benefits only the party and not for society. The party's policy maker should study deeper about what will be the long-term policies that truly give benefits to the farmers and the nation's economic performance.

**Keywords:** *populist policy, rice pledging scheme, political economic, international news perspective, Thai rice, Thai economy*

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### **1. Introduction**

Based on BBC news (2012) website reports, on Thursday, 22nd May 2014, PM Yingluck's administration power was taken down from a coup d'état led by General Prayut Chan-o-cha, Commander of the Royal Thai Army (RTA). The reason that Gen Prayuth states, is because "of the violence in Bangkok and many parts of the country that resulted in loss of innocent lives and property, [which] was likely to escalate". ABC News (2014) wrote that Thailand had suffered from the demonstration of Anti-Government protesters since November 1st, 2013. Moreover, this demonstration kept increasing the level of tension to government. They disagreed that government was working on the Amnesty Bill which they believe that would benefit former PM Taksin to come back to Thailand.

On the other hand, as mentioned in The Wall Street Journal, saying it had lost 136 billion baht, or \$4.4 billion, on the subsidy from Fall 2011 to September 2012. Hookway (2013), found out that Prime Minister's Office Minister Varathep Rattanakorn state the losses from the 2012 to 2013 rice season hadn't been calculated, but the scale of the government funds so far diverted to the rice subsidy will likely embolden antigovernment protesters, who already have been staging rallies against Prime Minister Yingluck Shinawatra's policies.

Institute for Population and Social Research (2014) claims that the scheme became the most controversial public policy in 2013: Stirring heated debates among supporters and denouncers due to its wide-ranging impacts not only on the agricultural sector but on the public, private, civil society sectors and the country's macroeconomics. The economic situation had been struggling due to the protest and the negative effect from the rice pledging scheme policy. The government has a shortage in the budget to pay all registered farmers who pledged their rice with the government. Prasertsri (2014), it is estimated that 70 percent of the participating rice farmers remained unpaid as the program has run into funding problems. Unpaid groups of farmers began to publicly demand the payments by travelling to Bangkok and started to demonstrate against the government. Moreover, there were cases of farmers who committed suicide to escape the debt. Isranews Agency (2014), reported that this situation escalates to the point where sixteen farmers committed suicide because of rice pledging scheme project.

A former Deputy Prime Minister and Governor of the Bank of Thailand, Pridiyathorn Devakula said the government should be careful about the repercussion of this policy. Thai PBS News (2012) reported that if the government were still working on the project, the public debt level of the country will increase to 61 per GDP in year 2019 and this not include the burden of deficit budget yet. Kedmey (2013) also interviewed Tejinder Narang, a former rice trader who now advises one of India's largest grain exporters, Emmsons International said to TIME that when he saw Thailand's pledge to hike up the price of rice, he says he and virtually every global trader knew how to respond. With the click of a mouse, or sometimes a quick phone call, his traders in Dubai could switch their purchases from Thailand to suppliers in India, Pakistan, Myanmar, or Vietnam. Another comment from David Dawe, a senior economist with the U.N.'s Food and Agriculture Organization, he said to TIME in June 2011, before the election, it was a time that Yingluck's administration was on rice pledging campaigning, "You've got this big bump of \$100 a ton," says Dawe. "Thais were probably pretty happy at that point, thinking, 'Okay not too bad, we can probably drive them even higher.'" Then, in September of 2011, after Yingluck's administration got into their position in the government, they found out that India and Vietnam rice's price were lower. Dawe points to this moment and says, "Reality sets in. The Vietnamese started lowering their prices and the Thais just got left behind."

From economic section, indicated by Asian Journal of Empirical Research, the rice price-pledging scheme may distort market mechanisms because this policy not only increases the farm price in the harvesting period but depresses the market price later in the season when the government releases the rice in the market (Chulaphan et al., 2012, p. 141). According to Thailand 2014 Country Watch Review, a rice price guarantee scheme promised by Prime Minister Yingluck when she was elected in 2011 had turned out to be a disaster. Coleman (2014) had shown that weak external demand had resulted in 17 million tons of rice left in storage. Getting rid of the rice policy would likely be financially prudent but would risk putting the leader on bad terms with the rural population. Another policy - a tax rebate for first-time car buyers - also had not turned out well. Auto sales dropped 28.5 percent in September 2013 after a record 1.44 million new cars were sold in 2012 as buyers rushed to place orders before the scheme expired. Also, in October 2013, Thailand's central bank cut its 2013 and 2014 growth forecasts.

Therefore, this thesis attempts to study how international media view Yingluck Administration's that used shortsighted economic strategy and how they exacerbated Thailand economic woes causing economic impact during the 2011-2014 of her administration.

## 2. Objectives

This study has two objectives. First, it analyzes the international news that report about the rice pledging scheme policy of Yingluck's administration. This cover some of the criticism over the policy. In developing countries, Democratic regimes tends to reduce the tax on agriculture sector more than Autocracy regimes. In Thailand, most of the population are the farmers including the poverty who live in rural area where they use the land to grow crops. If any political parties want to win the election, they have to have the policy that give the benefit to them such as tax decrease. Therefore, the second objective of this research is to estimates the impact of the policy to the nation's economy such as the government's expenditures and agricultural GDP.

## 3. Materials and Methods

Primary data was collected from reports, journals, databases such as the United States Department of Agriculture (USDA) and the International Rice Research Institute (IRRI). It adopted the GDP and nominal rate of assistance (NRA) in analyzing and explaining the impact to the economy. The nominal rate of assistance (NRA) is defined as the percentage by which government policies have raised gross returns to farmers above what they would be without the government's intervention (or lowered them, if  $NRA < 0$ ) (Anderson, 2009).

Scientific articles and studies of the rice pledging scheme policy case study have been studied as secondary sources. To answer the research questions in this study, the collected information will be used. The conclusion is from the author's opinion.

**4. Results and Discussion**

The result of this research found that:

**4.1 International News Perspective on Rice Pledging Scheme**

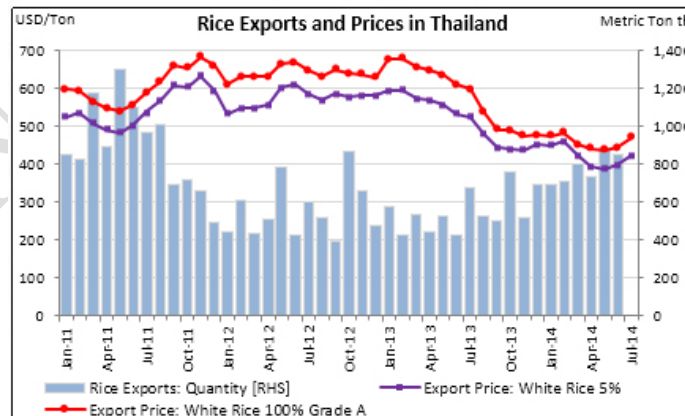
*4.1.1 Thai Rice Export (2010 – 2014)*

The VOA reported that Thailand might lose the major rice exporter to Vietnam and India due to the new pricing scheme, Samarendu Mohanty an economist with the Philippine-based International Rice Research Institute (IRRI) who says, “Thai government will need to subsidize export rice prices to compete with other countries on the global market” (Corben, 2011). Figure1 shows that Thailand became the 3<sup>rd</sup> rice exporter country, followed India and Vietnam from 2010 to 2013 (Ineichen, 2014 p.3).



**Figure 1:** Rice exports by the world’s major exporters

The number of rice exports as well analyzed by Prasertkoon (2014) in CEIC (Figure 2), he explains that prices of Thailand’s rice exports have been declining since February 2013. Export prices of 100% Grade A white rice and ordinary 5% white rice fell to USD 470.20/ton and USD 422.20/ton respectively by July 2014 from USD 679.50/ton and USD 596.50/ton in February 2013. This 30% average drop is most likely due to the government’s effort in encouraging rice exports to clear up the stockpile accumulated from a government rice subsidy scheme initiated in 2011.



**Figure 2:** Rice Exports and Prices in Thailand from January 2011 - July 2014

#### 4.1.2 Corruption on the Policy

Whereas Ammar Siamwalla, president of the private sector think tank, Thailand Development Research Institute (TDRI) had his concern on the corruption and budget shortfall as well as the larger rice producer will be only group that earned more benefit from this program. Later, in year 2013, Corben reported on Thailand's protest in Bangkok. A part of his article mentioned that the rice subsidy program of Yingluck received a warning from the International Monetary Fund (IMF) about the country's finances that decreased their confidence. It's because the lost in rice scheme has cost billions of dollars (Corben, 2013).

The Diplomat also states that government had taken on its own merits; however, the case against Yingluck's handling of the paddy pledging-scheme appears almost as substantial as the mountains of unsold rice that resulted from her government's flawed policy (Finch, 2014).

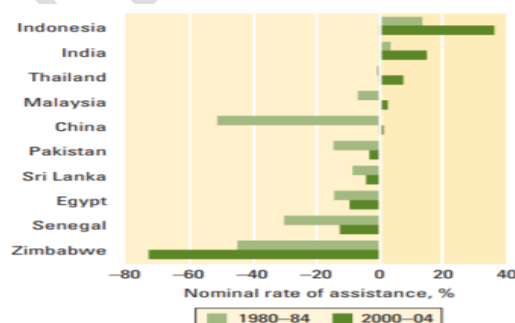
Not only the negative impact to the economy but the corruption in the project is being reported on the news as well. Lawi Weng a senior reporter at the English edition of The Irrawaddy reported that "the scheme has been dogged by allegations of massive corruption and cost billions of dollars in government funds. The scheme also pushed up rice prices in Thailand, causing rice exports to fall. On Tuesday, the Thai government announced it was cutting the minimum rice prices for farmers with 20 percent (Weng, 2013). VOA as well has information that can support Weng's article;

Thailand's corruption level, according to Washington-based watchdog group Global Financial Integrity, rose significantly over recent years. GFI's Brian LeBlanc told VOA that "Thailand's Illicit Financial Flows (IFF) to Gross Domestic Product (GDP) ratio more than doubled over a decade, leaping from 3.9% in 2002 to 8.4% in 2011. This compared to an average 4% gain for all developing countries during that period.

Another metric is equally troubling. Transparency International's Corruption Perceptions Index. In 2012, the anti-corruption group said Thailand ranked 88th on its scale of 177 nations. One year later, the 2013 index showed a precipitous drop to 102 (Young, 2014). Prosecutors say Yingluck ignored multiple warnings from several state agencies about possible corruption (Japan Times, 2016).

#### 4.2 The Impact of Rice Pledging Scheme on Thailand's Economy

It is because most of the people of Thailand are farmers which include poverty who own the land that need the agriculture support policy from the government: rice is the main economic corp. Thus, the market price for rice is very high, the elected government even provided the paddy a higher price on rice pledging or a price guarantee. Figure 3 shows that the nominal rate of assistance (NRA) percentage was negative due to the government had increased protection or reduced taxation on rice industry.



**Figure 3:** Nominal rate of assistance for transforming countries, either increased protection or reduce taxation Source: World Development report 2008, page102

The rice pledging scheme generated both benefits and disadvantages to Thailand's economy. The advantage of the scheme was it raised the Gross Domestic Product (GDP). When the budget from the government was sent to all stakeholders of the pledging scheme, it did not only benefit the farmers who joined the program; it also benefited other related sub-contractors such as the millers, surveyors and warehouse operators (Namchaidee, Kornchawan 2017, p.19). The GDP value of Thailand represents 0.66 percent of the world economy. GDP in Thailand averaged 116.78 USD Billion from 1960 until 2016,

reaching an all-time high of 420.53 USD Billion in 2013 and a record low of 2.76 USD Billion in 1960 (Thailand GDP, 2018).

In another hand, TDRI researcher Nipon Puapongsakorn said the damage caused to the state by the rice-pledging scheme from latest assessment was put at 549 billion baht, an increase of 6 billion baht from previous estimation of 542 billion baht (Thai PBS, 2016).

The results of this research show that the international news perspective to the rice pledging scheme associated to the statistic of economy impact. Most of the international news around the world has the perspective on the rice pledging scheme of Yingluck's policy that it was a failed policy. They as well showed the interview or the statement from national (Thailand) and international critics or expertise in rice and economic industrial about the policy.

Even though the GDP rose up in a period of rice pledging scheme, the money from government were not reach to most of farmers. The rice farmers may earn the benefits from this flagship project, if there is a higher demand in the world market. Unfortunately, other countries like India and Vietnam increased their rice export with a cheaper price so Thailand couldn't sell the rice as they have expected. The program ended up racking up huge losses.

In summary, the rice pledging scheme could benefit the farmers if the demand in the rice market is high and if other rice exporter countries don't have much rice to sell. Corruption is another important issue that government should pay more attention and put the people as the priority. When people receive the advantage from the government's policy that means they will have a wellbeing financially-speaking and be able to pay the debt. When they have less debt, people will go out and pay more money. It's the basic of how the economy may develop to a better way. If Yingluck's government could listen to all the warnings from experienced critics on the rice subsidy program and adjusted the policy and concern more on the negative impact that could follow. I believe that people will understand if the government demonstrates or informs about the negative and long-term benefits with simple and clear information. The result of the content analyses was agreeable with the thesis hypothesis that the policy was to benefit the political party rather than to the farmers. Recommendation on a future study observation is what could be the policy that truly helps all rice farmers, not just a group of them or the middleman.

## 5. Conclusion

The study attempts to examine the perspective of the international news to rice pledging scheme 2011-2014 and the impact to the economy. The results show that this policy is a failed policy to both government management and impact indirectly to the economy. NRA displayed the government had been reduced the tax to support the agriculture industry by promising to provide a higher rice price than the world market since year 2000 to 2004. Later on, elected governments are more likely to decreased the tax on agriculture which will benefit the farmers and gain more votes. However, in the reality, so many farmers are still suffering from policy that only benefit in short term only. The result also shows the advantage of overall picture of GDP that rose up. However, the most farmer's family life still living with debt. The damage of this policy cost up to 549 billion baht.

### 5.1 For policy maker and politician:

The most famous quote of Abraham Lincoln at the official dedication ceremony for the National Cemetery at the site on November 19, 1863, called upon the fundamental principles of the Declaration of Independence and the Union's ideals – "a government of the people, by the people, for the people" (Rush, 2018). From his speech, it is already the guideline to every democracy in this world. For Thailand, we claim ourselves as one of democratic countries as well so if the policy maker and politician follow Abraham speech, the researcher believe our country will move forward with a bright future.

As Thailand is a country of agriculture and rice as our main crop, so government should invest and develop technology that reduces man power and the cost of production but help increases more crops and profit. Strictly control the middleman management and private sectors may take the most benefit from the poor farmers. Besides, growing rice outside the season, educating our farmers to grow other economic plants. Management on zoning of plants around our country by applying the effective study from the agriculture ministry or organizations. Then educate farmers about how to manage their farm or field.

### 5.2 For rice farmers:

Being a farmer is an important and hardest job in Thailand, so it's normal that we all want to have a better life. However, as farmers are the main important group in Thailand, farmers should have their own

strength point to bargain with the middleman, private sectors or even the government. Farmers shouldn't rely on their hope with outside assistance but among themselves. There is always the farmer leader or a person who give him/her self to study our Rama 9 King's Science or we called Sufficient Economy. These people are more than welcomed to distribute and provide the information that farmers can take advantage of. Be an open-minded person, ready to learn new things and adapt the way of life where technology is readily accessible.

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