

RELEASE IN PART B6

From: Campbell, Kurt M <CampbellKM@state.gov>
Sent: Wednesday, November 16, 2011 12:46 AM
To: H; Sullivan, Jacob J
Subject: Fw: The Kingdom

I don't normally forward these but I have a group of out of channel friends that report on regional developments. Karen is particularly insightful and this one is very timely. Best Kurt

From: Karen Brooks [mailto:]
Sent: Tuesday, November 15, 2011 11:49 PM
To: Campbell, Kurt M
Subject: The Kingdom

B6

KC,

Here's a short note to frame your visit to Bkk and give you a little inside scoop.

The Kingdom continues to struggle with the worst floods of the past half century. About one third of the country is still submerged (with some areas under as much as six feet of water!) and *billions* of cubic meters of water still need to drain into the Gulf of Thailand. The sheer volume of remaining water means it will be a few more weeks before all can be drained out to sea, leaving significant numbers of people displaced for a protracted period. In the meantime, the Thais continue to wage battle to prevent water from seeping into inner Bangkok, industrial estates thus far spared, and the capital's main airport.

Escalating Costs

As the crisis has dragged on, the human and financial toll has continued to mount. Some 550+ people have died, hundreds of thousands have been forced from their homes, nearly half a million are out of work, and millions are "flood-affected" in one way or another. The Commerce Ministry predicts exports, which account for roughly two-thirds of GDP in Thailand, will fall by as much as 13 percent in the fourth quarter. The tourism sector, which accounts for six percent of GDP, is also under pressure, as scores of conferences have been cancelled and travel plans postponed as images of Thailand's water woes have been broadcast around the globe.

The central bank has slashed its 2011 growth estimate from 4.1 percent to 2.6 percent, though it says reconstruction efforts and government stimulus should produce growth above 4 percent in 2012.

Political Fall Out

The political toll on the Yingluck government has been equally severe. A recent headline in Thailand declared "Fairytale Over" in describing the situation facing Prime Minister Yingluck. Given the criticism she and her team have endured throughout this crisis - thanks to a series of communication screw-ups, coordination failures, and other missteps - "Nightmare in Full Swing" might be a more apt analogy. The opposition, just months from a bruising defeat at the polls in a nation still bitterly polarized, has seen an opening to attack her and seized it. To be fair, though, even her supporters have been frustrated. Confronted with historic floods just weeks into her premiership, the PM has found herself in over her head, and her team has for the most part failed to impress.

Yingluck has tried to adjust course, giving more experienced senior-level bureaucrats as well as experts in climate, irrigation and disaster response a more prominent role in the FROC (Flood Relief Operations Command), while lowering the profile of the politicians and inexperienced advisors who have caused her the most grief.

She has also announced two committees - the Strategic Committee for Reconstruction and Future and the Strategic Committee for Water Resources Management - to devise and implement strategy going forward. Veerapong Ramangkul, a former finance minister and palace favorite, will oversee the reconstruction committee, while Dr. Sumet Tantivejkul, another palace favorite who oversees royal water management projects, will be a senior advisor to the water committee. The government meanwhile has allocated big budget bucks for longer-term flood rehabilitation, prevention and economic restructuring. The announcement of committees and the budget have taken some of the pressure off the government - for now.

Next Steps

To keep momentum, Yingluck will need to make changes in her team. Given the poor performance of the past two months, a cabinet reshuffle is a must do. Top of the list is Agriculture Minister Theera Wongsamut, who hails from the Chart Thai Pattana party - a coalition partner but at best a fair-weather friend. Not only has Theera been inept in his handling of the crisis since Yingluck took office (water management being part of his portfolio), but he also served as Agriculture Minister in the previous Abhisit-led government. He is thus seen (correctly) as guilty of either malice or incompetence (or both) for his failure to appropriately manage water levels at the country's two biggest dams in the months preceding the inauguration of the Yingluck government - which greatly exacerbated the current crisis.

(Note: It's important to understand that the Agriculture Ministry's Irrigation Department, which manages the dams, had ample evidence earlier in the year that rainfall levels were far above the seasonal average for many months in a row (starting in March and

going all the way through August - this according to the Department's own data published on its website). However, the Department failed to release water from the dams to adjust. As a result, the dams were full to the point that they almost overflowed by the time Yingluck took office on August 24, forcing significantly above average water releases just as rains and seasonal floods were already in swing. Much of the water swamping Bangkok now is dam water...

Given that the King has for decades been associated with water management issues (the two major dams are even named after the King and the Queen, and the Department of Irrigation has the special title the "Royal" Department of Irrigation) - many in red/PT land cant help but wonder whether the failure to adjust dam levels before the PT government took office was a conspiracy against them. Yingluck has insisted that no one on her team go there, given the need to focus on alleviating the problem. But once waters recede, the blame game is likely to get quite heated.)

Yingluck's Personal State

She is tired, Kurt. Very tired. I saw her last night at her house at 11pm and she told me that she is up around the clock with very little support and a cabinet team that has proven weak (her words were less diplomatic) and unable to rise to the occasion. She said she always expected the job would be hard, but that learning everything about government, while managing the complexities of the relationship with the palace and the military, while being slammed with a major national crisis - AND doing it all with a weak team - has taken its toll.

Even so, she is determined and has fire in the belly. She emphasized that she had won an absolute majority for only the second time in Thai history, and that she would not let the millions of Thais who supported her down. If it means not resting until her term is over, so be it. She can handle it, she said, because she believes in what she is doing. She will make some changes in her cabinet in the coming weeks once the water has been drained, and then look forward to getting the A Team back in May of next year, when the ban expires on the 111 Thai Rak Thai politicians removed from politics by the courts in 2007 after the coup.

She had briefing books strewn across the table, and said she would stay up for several more hours to study up for her meeting with Hillary and the upcoming summits in Bali. Then she would pack. She flipped through the books, and I could see her handwritten notes in the margins on each page. She said the materials prepared for her are largely not helpful - overly bureaucratic and too much detail, so she tries to go through each and make her own notes. Without a real chief of staff who knows both government and her, who can edit and screen things for her, she is the NSC staff, NSA and PM all wrapped into one.

She made a point of saying that she is ENORMOUSLY grateful that Sec Clinton is coming today. "It's been six long years of turmoil in this country," she said. "I'm determined to use my mandate to bring people together and foster reconciliation, like I said in the campaign. I'm working hard to win over the military and help them see they have a real place here without interfering in politics. I'm working hard to do the same with the palace. But let's face it: democracy here is still fragile. We need the US engaged."

Scenarios Ahead

PT holds an absolute majority of seats in the House – 265 out of 500 – so the party can remain in office, even if the coalition partners were to abandon Yingluck. Also buttressing government stability (for now) (ironically) has been the posture taken by Armed Forces Chief General Prayuth Chan-ocha (previous arch nemesis of the red shirts and Thaksin). Prayuth has come out repeatedly to underscore that the military (the only institution perceived as performing well in the crisis) remains under the command of the government; that it's the obligation of all parties to support the government in the crisis; and that a coup is absolutely out of the question. Yingluck tell me she has gone out of her way to work cooperatively with Prayuth, and Prayuth seems to have come to appreciate her sincerity and hard work.

The Palace, similarly, has not shown any inclination to use the crisis to bring down the government. The King has given three audiences (made public) to PM Yingluck since she took office. (In the opaque world of the Thai monarchy, this is one key tea leaf to read.) Moreover, other members of the royal family have given the PM private audiences in recent weeks (not publicly known) - including the Crown Prince and two of the princesses. Perhaps most telling, however, is the recent appointment by the government of two palace favorites, Dr. Sumet and Dr. Veerapong, to the new reconstruction and water management committees. Sumet, who is a long time advisor to His Majesty and runs one of his foundations, would never have accepted the appointment if the King had not explicitly blessed the move. Two others on the water committee are similarly associated with His Majesty.

Moreover, while Yingluck's popularity has plummeted, her PT party still scores higher than the opposition Dems, who are liked even less and haven't won any new friends with their politicization of the crisis. "You can't beat something with nothing," as they say - and short of a coup, Yingluck and PT are at present the only game in town.

STILL: this is Thailand... which means a coup can never, ever be ruled out. And Yingluck is right: democracy in Thailand is fragile at best. While General Prayuth genuinely seems disinterested in a coup, the degree to which the military has recovered its image during the crisis – looking heroic while the politicians look incompetent - could be a dangerous trend in coup-prone Thailand. Moreover, while the palace has been quiet and arguably

even supportive, a brief survey of the elite-dominated blogosphere and Facebook world shows that virulent opposition to, and hatred of, planet Thaksin is more than alive and well among some Bangkok elites.

Which brings us to the question of big brother, who still commands enormous loyalty among the cabinet, within the PT party, and among red supporters. He has smartly taken a much lower profile in recent weeks, as sister has struggled with the floods. But the issue of his status and his longed-for return to Thailand looms large. Yingluck told me big brother remains in a dialogue with the palace described as "constructive" and expressed hope that this would yield an amicable end to the five+ year drama of his exile - either through a royal pardon or through a parliament sponsored amnesty law, with support from the palace. This is, at best, a delicate dance, and any mishandling or miscalculation on Thaksin's part could yet trigger another cycle of political drama here.

For her part, Yingluck will have to move quickly and competently to implement her reconstruction plans - and do so without any corruption or major scandals - to quiet her critics and consolidate support. For now, the water has washed away the mythology that she is an exact "clone" of her brother, as she does not have the experience or the instincts to manage like him - at least not yet. But she has things he does not, including charm and grace and perceived sincerity. And an awareness of the need to bring along other institutions like the military and the palace. With newly empowered technocrats on her side, a strong majority in Parliament, the apparent indulgence of the palace and the military (at least for now), and no other game in town, a determined Yingluck has time to turn things around.

FOR YOUR MEETING

Three points:

One, YL's English is not great, particularly when combined with exhaustion. Keep S's expectations modest on that front.

Two, she does not know about our flood relief package. All she knows about is the Don Muang component. When I mentioned Ayutthaya and police stations she said she had not received any of that info and its not in her materials from the MFA. She also had no knowledge of dollar value. S should plan to actually present it to her.

Three, she expressed hope, several times, that S would say something about democracy and reconciliation in her press statement (and that she wants to discuss it in the meeting).

HOPE MANILA WAS A HIT AND THAT ALL GOES WELL TONIGHT. You're staying just a few feet down the road if you have bandwidth for a drink after the meetings.

XOXO