

TRAVEL STATUS

Bangkok Terrorism Alert



Two years ago, on New Year's Eve 2006, eight small explosions were detonated in and around the capital of Bangkok, killing three and injuring dozens. Although the perpetrators were never identified, police believe the blasts were politically motivated. Given the prevailing political instability and the recent formation of a Democrat Party-led coalition government, officials have expressed concern regarding a second bombing campaign targeting New Year's celebrations, similar to that which occurred two years ago.

This year, officials will be closely monitoring celebrations throughout Bangkok, especially the New Year's Eve "countdown" event at the World Trade Center (WTC) – also known as Central World – which is located in central Bangkok near the Chidlom BTS Sky train station. The area is highly popular with tourists and was one of several targeted in the 2006 New Year's bombings. This year over 1000 police will be present to secure and patrol the area during celebrations.

Although there is no evidence to suggest an attack is imminent, PSA Asia urges clients to avoid large outdoor New Year's Eve celebrations, which will be difficult for authorities to secure. Clients should avoid Central World, the Four Face Buddha shrine opposite the Central World and the pedestrian overpass at the intersection of Rajadamri and Ploenchit Roads, near Central World. Clients should also avoid shopping areas at Gaysorn Plaza, Siam Square, Siam Discovery and Siam Paragon, all of which are in the general area of the Central World.

Clients are also urged to avoid large outdoor night markets and night entertainment zones, including Patpong, Nana Plaza and Soi Cowboy.

Tourist areas outside of Bangkok, including Phuket, Krabi, Koh Samui, Phang Nga, Pattaya, Hua Hin, Chiang Mai and Chiang Rai should not present any security problems. Still, to be prudent, we recommend visitors avoid large, outdoor gatherings on New Year's Eve.

Bangkok: Ongoing anti-government demonstrations expected



On Sunday, December 28, an estimated 20,000 "red shirt" supporters of the pro-Thaksin, anti-government United Front of Democracy Against Dictatorship (UDD) gathered at Sanam Luang, a large field in central Bangkok used for public and official gatherings. Demonstrators relocated to Parliament on Monday afternoon, forcing the government to postpone a scheduled policy announcement until Tuesday. Although there were no reports of violence, visits to the Dusit Zoo and Vimanmek Teak Mansion, both of which are near Parliament, should be postponed until protestors disperse.

Despite a 3-day period over the New Year's holiday when protests will be temporarily suspended, the UDD plans to rally in the capital until Democrat Party Prime Minister Abhisit Vejjajiva dissolves parliament and calls an election. Protest leaders claim the December 2 judicial dissolution of the People Power Party (PPP),

followed shortly thereafter by the formation of coalition government led by the former opposition Democrat party, to be a military-sponsored power grab.

Although protest organizers have stated publicly they will not employ the same aggressive methods used by the People's Alliance for Democracy (PAD), such as the seizure of government offices or airports, any government-sponsored crackdown by security forces could provide an impetus for potential escalation. Unarmed government security forces are unlikely to act unless provoked given orders from the Prime Minister not to use force. The unanticipated appearance of anti-Thaksin protestors at either of the two protest venues could, however, cause clashes between rival protest groups, at which point security forces would likely step in to restore order.

Bangkok airports open and fully operational

Bangkok's Suvarnabhumi International Airport and Don Mueang Airport, which services domestic routes, remain open and operating normally. There are no indications of any pending protest action aimed at interrupting the daily operations of either facility during the New Year's holiday period. Newly elected Prime Minister Abhisit Vejjajiva has pledged not to allow Thailand's airports to again be overrun by protestors.

Road Travel

Clients traveling by road during the New Year's holiday are advised to avoid travel during the evening or late night hours, as drunk driving will be commonplace both in the capital as well as in resort and tourist areas outside of Bangkok. Traffic congestion on Bangkok's outbound routes will be severe on the afternoon and evening of Tuesday, December 30, with heavy congestion on inbound routes expected on Sunday, January 4. Clients going to and coming from the airport during these times should plan accordingly.

Southern Border Provinces

Travel to Pattani, Narathiwat and Yala provinces, as well as eastern areas of Songkhla, including the cities of Hat Yai and Songkhla, should be avoided due to the threat of Islamic insurgent violence. Intelligence sources have highlighted an increased threat of attacks in downtown Hat Yai through the New Year's holiday.

Only essential travel to the southern border provinces should be undertaken, with physical movements being limited to daylight hours. Clients are discouraged from staying overnight in any of the three southernmost border provinces. Nighttime entertainment venues in these areas, including hotel bars and discos, should be avoided at all times, as they are sometimes the target of insurgent attacks. Travel to the restive south should not be made without the help of security guards or people familiar with the area.

Clients visiting Hat Yai should avoid crowded tourist venues, including the night market in central Hat Yai, the Lee Garden Hotel complex and large restaurants with outdoor seating, particularly situated on busy streets or at large intersections.

POLITICS

King endorses new government

King Bhumibol Adulyadej endorsed Democrat Party leader Abhisit Vejjajiva as Thailand's 27th Prime Minister on December 17 after Parliament elected him to the position two days earlier.

The UK-born Oxford graduate said his government's priority would be to use constitutional means to bring an end to years of domestic political conflict and manage the effects of the global economic slowdown. The government is expected to announce economic policies that include a substantial stimulus package in January.

Despite the appointment of a new government, which will likely be followed by a brief period of relative political stability, the political crisis is likely to worsen before it improves. Unless promptly addressed by the incoming administration, growing economic woes can be expected to lead to a steady erosion of already limited public support for the Democrat-led government, which the opposition will use to boost its own popularity ahead of any possible elections.

Cabinet approved



The new cabinet also received a royal endorsement on December 20 amid accusations of political nepotism and questions over the suitability and qualifications of certain ministers, particularly those assigned to crucial economic portfolios.

The appointment of Kasit Piromya - the former Thai ambassador to Washington DC - as foreign minister has been particularly controversial given his vocal support for the People's Alliance for Democracy (PAD) protest movement that last month shut down Bangkok's airports. Kasit was a regular speaker at PAD rallies and recently hailed the armed siege of the capital's international airport as a "new innovation for public protests".

Foreign Ministry officials have also aired concerns over the appointment, saying Kasit's hard-line political stance and his connections to the PAD could damage the government's reconciliations efforts. Other members of the Democrat Party were also involved in the anti-Thaksin People's Alliance for Democracy (PAD)'s attempts to oust the previous government.

By-elections for 29 seats scheduled for January 11

By-elections to fill 29 parliamentary seats left vacant by MPs recently banned or disqualified for electoral fraud are tentatively scheduled for January 11. Of the 29 vacant seats, one is located in Bangkok, 15 in the central provinces, 10 in the Northeast, two in the North and one in the restive southern province of Narathiwat. The opposition Puea Thai party (a party organized for MPs from the banned People Power Party) and its ally Pracharaj have said they hope to win at least 20 of the available seats.

Even if the opposition parties are successful in winning 20 seats, it would not be sufficient to bring down the Democrat-led government, however any further slimming of the coalition government's relatively thin majority would greatly facilitate forthcoming attempts by the opposition to force an election.

GENERAL NEWS

PM won't allow repeat of airport seizures



Prime Minister Abhisit Vejjajiva has promised there will be no repeat of last month's airport seizures when security forces failed to prevent supporters of the People's Alliance for Democracy (PAD) from shutting down Suvarnabhumi International and Don Mueang Domestic Airports for more than a week.

"We regret the incident and will not allow it to happen again," the newly elected prime minister told tourism industry representatives last week. Tourism accounts for roughly six percent of Thailand's GDP.

The Tourism Council of Thailand (TCT) estimates that the airport closure will cost Thailand over THB 100-billion (USD 2.85-billion) in lost tourism revenue, as well as considerable number of layoffs. Industry experts predict that anywhere between three and seven million tourists may cancel travel plans to Thailand during 2009.

Although it appears unlikely pro-Thaksin UDD protestors will target either of Bangkok's main airports, the possibility cannot be ruled out. Any attempt would likely be met with stern resistance from security forces.

Survey: Grassroots hit hardest by economic slowdown

A recent survey conducted by the University of the Thai Chamber of Commerce asserts that lower-income groups will be hit hardest by a slowing economy as rising unemployment and family debt eat into already meager household budgets. The survey included just under 5000 respondents from the North and Northeast and noted that almost 95-percent of lower income Thais are indebted, defining low income as those with monthly wages not exceeding THB 12,500 (USD 355).

According to the survey, grassroots debts, which average THB 210,000 (USD 6000) per household, are predominately composed of investments in productive assets like seed and fertilizer (22-percent), residences (20-percent), and daily spending (19-percent), with the majority of remaining sums devoted to medical expenses and vehicle purchases.

On average, just over two thirds of families' debt loads are owed to organized lenders such as banks and village savings co-operatives, with loan sharks and unregistered institutions accounting for roughly 30-percent of loans. The majority of respondents' expected their incomes to remain significantly lower than expenses, with taxi drivers, farmers and school teachers ranking among the three most indebted professions.

A prolonged contraction of the domestic economy will likely result in a sustained migration from urban to rural areas as skilled and unskilled laborers seek employment or refuge in the agricultural sector, not dissimilar to the period following the 1997 Asian Financial Crisis. Such a population shift would bolster the political clout of the rural majority, likely widening Thailand's current political divide, and resulting in additional civil unrest pending any failure of the incoming government to promote political reconciliation and buoy the economy.

International arms dealer testifies in extradition hearing



Russian national Viktor Bout, one of the world's most prolific illegal arms dealers in recent history, appeared in court on December 22 to fight extradition to the United States where his former associate Andrew Smulian is currently standing trial on terrorism related charges. Bout was arrested in Bangkok in March after US Drug Enforcement Agents posing as representatives of the Revolutionary Armed Forces of Colombia – a Marxist guerilla group – conducted a successful sting operation that drew Bout to meet them in person.

Believed to be a former Russian spy, he is alleged to have facilitated arms sales to numerous groups and individuals following the collapse of the Soviet Union including the Taliban, Al Qaeda, and former Liberian president Charles Taylor. Throughout his extradition hearing Bout has maintained his innocence and claims that the US framed him with the aim of souring Thailand's quickly growing commercial and trade relationship with Russia. Bout's trial has faced numerous delays following repeated changes to his defense team.

Thaksin's fortune eroding

A December 26 local press report noted that former prime minister Thaksin Shinawatra's net worth has suffered significant declines due to the ongoing global economic crisis. The report, citing the estimates of an unnamed international financier, states that Thaksin's overseas assets, once believed to be in the realm of USD 5-billion, have dwindled to less than USD 500-million. Nearly USD 2.1-billion of Thaksin's money held in Thai banks was frozen in the immediate aftermath of the September 2006 military coup.

The UK government recently followed suit, freezing USD 4.2-billion of assets thought to belong to Thaksin following the November revocation of Thaksin and his recently divorced wife Khunying Potjaman's visas. The UK government's action is reportedly related to the purchase of the Manchester City football club, as much of the funds used for the buy-out came from offshore nominee companies or Swiss Banks, bringing into doubt the legitimacy of the funds. Thaksin has six months to declare and provide evidence of the origin of the assets in question.

With much of his wealth having evaporated, and as money is the lifeblood of Thai politics, Thaksin will be increasingly fond of regaining control of the THB 76-billion (USD 2.1-billion) currently frozen in Thai banks. His adversaries recognize this and can be expected to leverage the funds, using a carrot-and-stick approach to persuade Thaksin to accepting a quiet, a-political life abroad.

BUSINESS AND ECONOMICS

November exports contract for first time in six-and-a-half years

Coping with the combined effects of the recent airport closures as well as global declines in consumer demand, the total value of Thailand's exports suffered an 18.2-percent year-on-year decline during November, their first contraction since March 2002.

The THB 404.7-billion (USD 11.9-billion) decline was primarily driven by a more than 13-percent drop in the value of farm and industrial products. The volume of several key agricultural exports, most notably rice, tapioca and rubber, declined year-on-year by 60.9-percent, 57.3-percent, and 28.8-percent respectively.

Although exports to US, European, Japanese and ASEAN markets fell by 19.2-percent, the value of shipments to China plunged by more than 36-percent.

Growth also slowed on the import side, with November numbers showing only a 2% year-on-year rise valued at THB 450.5-billion (USD 12.8-billion). Almost 10-percent of this can be attributed to a 375.2-percent (or 45.8 tons) year-on-year increase in imports of gold. From October to November the trade deficit widened by USD 641-million to USD 1.2 billion.

Despite November's year-on-year contraction, Thailand is expected to reach its 2008 export growth target of 18-percent. Rapidly rising inventories in many of the leading export industries may portend a sustained trend of slower export growth through 2009, which will have pronounced knock-on effects on GDP numbers.

Trend of rising unemployment expected to continue for 6 months

Thailand's nationwide unemployment rate continued creeping up during November, with an additional 70,000 job losses bringing the total number of unemployed to 520,000 out of an estimated workforce of nearly 38-million.

Although unemployment remains low by most standards – a mere 1.4 percent – the trend is expected to continue for at least the next six months as the global economic crisis hits the country's key export and tourism sectors. The rise is particularly worrisome as unemployment typically bottoms out during the fourth quarter. Job losses are expected to accelerate at their fastest point during the first quarter of next year, with some estimates expecting over 2-million unemployed by year-end.

Unemployment statistics do not include the estimated 600,000 un-registered migrant workers that are a primary source of labor for the manufacturing and construction sectors, both of which have been hard hit by the global economic slow down. A concurrent rise in thefts, burglary and petty crime is expected throughout the country as employment conditions worsen.

USD 8.7-billion stimulus package proposed

Amidst reports that the Thai economy could contract for the first 3 months of 2009, Prime Minister Abhisit Vejjajiva announced his administration was considering a THB 300-billion (USD 8.7-billion) stimulus package.

Although the details are not clear, cabinet members have hinted that the majority of funds will be earmarked for agricultural and infrastructure projects in the North and Northeast and be distributed directly to local governments. If, as expected, Parliament gives the budget the nod in January, the initial capital for approved projects will be injected into the economy as early as March.

Given the anticipated shortfall of THB 100-billion (USD 2.8-billion) in government revenues, much of the stimulus package will need to draw upon loans from government banks. The package is unlikely to be effective in cultivating political capital in light of existing divisions between the Democrat Party-led coalition government and the targeted constituents of the recently dissolved pro-Thaksin People Power Party.

CRIME AND PERSONAL SECURITY

Recently collated police statistics indicate that declining tourism revenues have resulted in a concurrent and substantial increase in criminal activity in many of Thailand's most popular resort destinations, particularly Pattaya and Phuket. This trend will likely be sustained so long as sub-par tourist arrivals remain the norm, forcing many locals to find alternative means to make ends meet.

PSA urges clients conducting business or on holiday in Thailand to practice additional caution when traveling in Bangkok, Pattaya, Phuket, Samui, Chiang Mai and Krabi. Large amounts of cash should not be carried on person and valuables, such as passports travel document and jewelry should be stored and registered in hotel safe-boxes as opposed to in-room safes.

Counterfeit bank notes flood capital



The Bank of Thailand (BoT) issued a warning on December 18 that Bangkok will experience a flood of counterfeit 1,000-baht bank notes in the run up to the New Year's Holiday and thereafter. According to the bank, circulation of counterfeit notes has increased 80-percent year-on-year during 2008, with the bank seizing nearly 19,000 fakes in the period from January through November. The circulation of fraudulent notes is expected to increase during the forthcoming economic slowdown.

Despite efforts by the BoT to educate vendors on how to spot fakes, reports of 1000-baht bills (USD 30) being rejected have increased substantially over the reporting period. Although numerous arrests of individuals attempting to distribute the bogus bills have been made, the source(s) of those notes have yet to be uncovered. Banks have assured the public that they are aggressively vetting their own holdings of 1000-baht notes, and insist that all bills issued from ATMs are genuine. Clients are encouraged to exchange foreign currency only at banks or with authorized currency traders.

Banks and gold shops warned of increased criminal activity

Bangkok metropolitan and provincial police jointly issued a statement warning of an increase in robberies targeting banks, gold shops, and convenience stores in the run up to and aftermath of the New Year's holiday period. The warning also included factories and other shops that deal in scrap metal, citing rising unemployment as the primary source of their concern.

Police pledged to increase patrols and urged private entities to independently take the necessary precautions to protect their interests. Additionally, the Special Operations Police Division will dispatch twelve 30-officer task forces in the capital to crack-down on known criminal gangs as well as immigrant laborers, who are often resort to crime to make ends meet.

Bus loses control, killing one and injuring 14

At 11:30 PM on Friday, December 26, a charter bus returning to Bangkok from Kanchanburi lost control on wet roads and overturned, killing one Taiwanese tourist and injuring 14, several seriously, including the bus driver. The injured were treated at hospitals in Nakhon Pathom province, which is located just outside Bangkok.

Clients are advised to avoid travel by bus in Thailand; tour companies frequently skimp on maintenance to save money and accidents are more common than

reported in local media. Additionally, bus drivers worked to the point of exhaustion often use stimulants to compensate for their lack of sleep, leaving their judgment and motor skills impaired. Clients needing to travel by road should charter 8-10-person passenger vans as opposed to buses and be certain they are accompanied by two drivers on any trips longer than 6-hours.

NOTABLE QUOTES

"I don't mean to say that jobless people will become thieves, but the figures tell us that when unemployment increases, so does theft."

-- **Police Lieutenant General Chongrak** reflects on the social effects of rising unemployment.

"The political strife clearly has an impact on the economy. If we can't resolve it, no matter how good the economic policy is, we will not be able to implement it successfully."

-- **Democrat deputy leader and Finance Minister Korn Chatikavanij** comments on the importance of political reconciliation as a prerequisite to the successful implementation of the planned economic stimulus package, much of which will focus on grassroots initiatives in the north and northeast.

"I am glad we have a prime minister called Abhisit, and I think others are too."

--**Privy Council President General Prem Tinsulanonda** expresses his support for newly elected Prime Minister Abhisit Vejjajiva.

Client Confidential

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