

# BTI 2016 | Thailand Country Report

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This report is part of the Bertelsmann Stiftung's Transformation Index (BTI) 2016. It covers the period from 1 February 2013 to 31 January 2015. The BTI assesses the transformation toward democracy and a market economy as well as the quality of political management in 129 countries. More on the BTI at <http://www.bti-project.org>.

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### Key Indicators

Population	M	67.7	HDI	0.722	GDP p.c., PPP \$	14551.7
Pop. growth <sup>1</sup>	% p.a.	0.4	HDI rank of 187	89	Gini Index	39.3
Life expectancy	years	74.4	UN Education Index	0.608	Poverty <sup>3</sup>	% 1.2
Urban population	%	49.2	Gender inequality <sup>2</sup>	0.364	Aid per capita	\$ -0.4

Sources (as of October 2015): The World Bank, World Development Indicators 2015 | UNDP, Human Development Report 2014. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.10 a day at 2011 international prices.

## Executive Summary

The review period commenced under the administration of the elected Puea Thai Party prime minister, Yingluck Shinawatra, sister of the controversial fugitive ex-prime minister, Thaksin Shinawatra. The Yingluck government introduced new Thaksin-oriented populist policies that were popular among the poor. Yet, by 2013-2014 the government's rice-pledging scheme, designed to financially empower rice farmers, had weakened the competitive value of Thai rice and was perceived to be mired in corruption. The Yingluck government also sought to change the constitution to strengthen the executive and legislative branches vis-à-vis the judiciary while pardoning Thaksin for a previous court conviction. In late 2013, Puea Thai almost succeeded in using its legislative majority to issue a blanket amnesty for corruption and political crimes occurring from 2005 to 2010.

By December 2013, a collection of anti-Shinawatra demonstration groups, composed of thousands of mostly middle class Thais, had come together to occupy parts of Bangkok. These groups succeeded in creating such pandemonium in Bangkok and parts of southern Thailand that violence and instability soared while the economy waned. By late December 2013, Yingluck, seeking a popular mandate, dissolved the lower house and called new elections. But the February 2014 elections were disrupted by protest groups and eventually invalidated by the Constitution Court. By May, Thailand's economy had shrunk considerably: GDP, tourism and investment had all slumped. In early May, the Constitution Court dismissed Yingluck from office for having violated the constitution. However, Puea Thai remained in power. With the crisis worsening considerably, Army Chief Prayuth Chan-o-cha declared martial law on May 20. On May 22, Prayuth announced a putsch and Thailand's military took over the country, resulting in the voiding of the Thailand's 2007 constitution. Since that date and as of 2015, Thailand has remained under a military dictatorship.

The new junta, the National Council for Peace and Order (NCPO), was led by Prayuth and composed of his military mentors and cronies. The Peace Maintaining Force was immediately

established to quash any resistance. Military courts now oversaw all legal matters while leading military officers presided over the economy. In July 2014, an interim constitution was promulgated that amnestied the coup-makers, granted the NCPO overwhelming power and outlined a path back to Thai democracy. Shortly thereafter, the NCPO appointed a prime minister – Gen. Prayuth Chan-ocha – and a National Legislative Assembly (NLA), composed mostly of active-duty and retired military officers. The NLA helped to install a National Reform Council (NRC) and a Constitutional Drafting Committee, which would devise a new constitution – Thailand’s 20th. On October 1, Prayuth retired as army commander. However, he currently remains both prime minister and NCPO junta leader.

In early 2015, the NRC is continuing to devise the constitution. The military initially promised new elections in late 2015 but later announced that they would be delayed until 2016. Thailand’s military rule in Thailand has destroyed democracy while facilitating a resuscitation of economic stability. Meanwhile, Malay-Muslim insurgency is continuing in the Thailand’s Deep South while it appears that monarchical succession is close at hand.

## History and Characteristics of Transformation

Authoritarian state control of politics and the economy have long been entrenched in Thailand. Until 1932, the country was an absolute monarchy undergirded by the military. The armed forces then monopolized control over Thailand for most of the next two decades. Since 1957, the monarchy and military have dominated the country in an asymmetrical alliance with the armed forces as junior partner. The country witnessed only short spurts of limited democracy in 1944-46 and 1973-1976. After 1979, an evolution toward permanent semi-democracy appeared to be stabilizing: there was an elected lower house of parliament, an appointed prime minister, and eventually, in 1988, an elected prime minister. However, a military coup (Thailand has experienced almost twenty successful putsches) in 1991 ended the democratic experiment. Military repression in 1992 tainted the image of the armed forces and allowed for the 1997 enactment of a liberal, “people’s” constitution. Moreover, by the 1990s, state-led economic growth had given way to a much more private-sector-led, export-oriented industrialization based on cheap labor, lax investment laws and tourism. However, a 1997 economic crisis forced the Thai economy into a recession.

The crisis helped to elect populist tycoon Thaksin Shinawatra, who immediately instituted welfare policies for the poor, established an enormous base of loyal voters and kindled fear among the traditional aristocracy that he would try to overshadow the palace in influence. Though Thaksin was re-elected in 2005, an anti-Thaksin protest movement (aligned with opposition parties) took to the streets to demonstrate against what it saw as Thaksin’s growing personalist tyranny. In 2006, the anti-Thaksin military overthrew Thaksin. Within the next two years, a new constitution was promulgated, which weakened political parties; Thaksin meanwhile became a fugitive. Following elections in December 2007, a pro-Thaksin party was allowed by the military to take office.

However, by late December 2008, the judiciary had swept this government from power and senior officials of the armed forces and the King's Privy Council had helped to bring an anti-Thaksin coalition government to office.

The new anti-Thaksin government was in office from 2008 to 2011, at which point Prime Minister Abhisit Vechachiwa called elections. Under his administration, the military exercised enormous power and there was rising discontent among impoverished, pro-Thaksin Thais who came increasingly to support the United Front for Democracy Against Dictatorship (UDD). Hundreds of thousands of these Red Shirt protestors demonstrated against the Democrat government in 2009 and 2010. Such rallies were eventually quashed by the military, but the negative fallout from the repression and, to a greater degree, the continuing popularity of Thaksin's highly popular previous policy handouts, helped the pro-Thaksin political party Puea Thai, led by Thaksin's sister Yingluck, to win a landslide election in July 2011.

Though Yingluck's government ushered in a bevy of new populist policies, she was unable to exert civilian control over the military, as her brother had done when he was prime minister. Meanwhile, there was a rift in both the lower and upper houses of parliament as opposition Democrats and appointed anti-Thaksin senators unsuccessfully opposed attempts by the majority Puea Thai Party to amend the constitution. Only the anti-Thaksin judiciary was able to temporarily forestall the ruling party from changing the constitution and passing an amnesty which would discard all charges against Thaksin. Across the political landscape, pro-Thaksin Red Shirts, encouraged by Yingluck's electoral victory, demonstrated for even more populist policies. This was offset by an initially smaller number of anti-Thaksin social groups (prevalent in Bangkok and southern Thailand) who saw populism as contributing to economic malaise. Ultimately, Thailand's decade-long political divide over Thaksin appears to be pushing the country towards civil war at a time when the monarchy is facing a potential succession crisis and the military is assuming an ever greater political role.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

## Transformation Status

### I. Political Transformation

#### 1 | Stateness

In the period from 2013 to 2014, though the state formally monopolized the use of force, it was informally challenged by militant groups. First, there was the pro-democracy group – the United Front of Democracy Against Dictatorship. Anti-Thaksin militant groups in this period included the People’s Movement to Overthrow the Thaksin Regime, the Multi-Colored Shirts, the Network of Students and People for Reform of Thailand, the Dharma Army, the Rubbish Collection Organization and the People’s Democratic Reform Committee (PDRC), led by Suthep Thuagsuban. Towards the end of 2013, these groups engaged in occupations or violence with apparent impunity. These anti-Thaksin groups pressured Yingluck to dissolve the lower house in December 2013. Chaos ensued for five months.

Following the military-imposed Martial Law and the coup d’état in May 2014, these groups came under pressure from the military junta and had to cease open operations. In contrast, in the Deep South’s Malay-Muslim insurgency, the 2014 coup was not followed by a temporary neutralization of the situation. Rather, violence continued to increase, and in late 2014 the junta began to distribute weapons to civilian groups fighting alongside the army.

Thailand is a multi-ethnic country that also hosts a significant number of minority refugees from neighboring countries. Ethnic minorities without citizenship in Thailand are generally not allowed to vote, possess land, go to school, obtain public health care, be protected by labor laws or become civil servants. Ethnic minorities tend to be particularly vulnerable to human trafficking. Though the 2007 Constitution allowed naturalized citizens to vote and participate in politics, the Nationality Act (2008) grants total authority to the minister of interior to revoke citizenship from naturalized citizens (Article 14). Attempts by various Thai governments to “Thai-ify” the Deep South, where Malay-Muslims dominate the population, have ranged from violent repression, the imposition of Thai culture and education, and regional development projects. From 2004, when the insurgency recently intensified, to 2014,

Question  
Score

Monopoly on the  
use of force

7

State identity

7

6,097 people died in insurgency-related violence. Since the May 2014 coup, the National Council for Peace and Order (NCPO) junta has voiced its determination to eventually close refugee camps along the Thai-Myanmar border – deporting all refugees back to Myanmar – while taking a closer look at the legal status of naturalized Thai citizens. Ultimately, though the legitimacy of the Thai nation-state is questioned by few, some groups are denied full citizenship rights.

Most Thai constitutions, including the 2007 constitution, which was voided following the 2014 military coup, have mandated freedom of religion while forbidding discrimination based upon religion. Nevertheless, the Thai king could only be Buddhist while the state was supposed to protect and patronize Buddhism. Furthermore, the state permitted only national Buddhist holidays, subsidized only Buddhist institutions and banned only the insulting of Buddhism, even though different religions were observed in Thailand.

The 2014 interim constitution prohibits members of the Buddhist clergy from participating in the National Legislative Assembly, reflecting Buddhism's importance to the Thai state. Meanwhile, the government limits the number of foreign missionaries allowed into Thailand; all religious organizations must be officially registered; and Buddhism is integral to Thailand's official national identity. State authorities allied with Buddhist groups have been accused of coercing Malay-Muslims in the Deep South as well as non-Buddhist, Christian hill tribe communities. Nevertheless, the Thai state continues to encourage interfaith dialogue.

Perhaps the most recent example of how religious dogma influences the legal order can be seen in the imposition by the 2014 coup leader of 12 core values on the Thai people, the 11th of which reflects exactly the Buddhist teaching on detachment from all desires.

Thailand has a bureaucracy that tends to be very centralized. Corruption, lethargy and a tendency to act only within standard operating procedures have been endemic among civil servants. Until the late 1990s, the Interior Ministry had total control over the national, provincial and local administrations. Though the election of village headmen has existed in practice for over a hundred years, a system of decentralized administration at the provincial, municipal and sub-district levels only began to be implemented after the introduction of the 1999 Decentralization Act. Nevertheless, this act was initially reflected in the 1997 Constitution (Section 284). However, the decentralization process has been hindered because 1) most local elected officials were largely controlled by regional or central administrative systems; 2) appointed interior ministry officials and elected local officials sometimes possessed redundant or overlapping responsibilities, leading to clashes; and 3) locally elected officials were sometimes subject to local partisanship or corruption. Following the 2014 military coup, the ruling junta issued a directive replacing the decentralization system with all appointed officials. Education, transportation and clean water tend to be

No interference of religious dogmas

6

Basic administration

7

accessible and affordable. According to a recent United Nations report, 98% of Thailand's population has access to water while 96% has access to sanitation. Nevertheless, there is a disparity in administrative quality between Bangkok and provincial Thailand.

## 2 | Political Participation

Thailand's February 2014 election illustrated the weaknesses of Thailand's democratic institutions. The election was ignored by opposition parties, disrupted by the PDRC and voided by the anti-Shinawatra judiciary. The military coup of 22 May 2014 ended Thailand's six-year democratic period, which had existed since the end of the military junta lasting from 2006 to early 2008. Since the putsch, there have been no elections, though the new National Council for Peace and Order (NCPO) has promised elections in 2016. Even when there were elections in 2007 and 2011, the military was alleged to have financially backed anti-Thaksin political parties. Following the coup, an interim constitution was enacted which inaugurated a temporary, appointed national assembly. Section 44 reserved the right of the NCPO junta to veto any decisions by this assembly. Furthermore, the interim constitution prohibited any person previously found guilty of corruption (e.g. Thaksin) from ever again holding an elected position. Finally, unlike the dictatorship from 2006-2008, the junta abolished decentralized elections at the local, city and provincial administrative levels.

Free and fair elections

1

From 2013 until mid-2014, Thailand remained a limited parliamentary democracy under a powerful monarchy. However, significant veto players and powerful enclaves have often inhibited the ability of the elected government to function.

Effective power to govern

1

The coup of 22 May 2014 replaced elected civilian control with military dictatorship, although the palace and Privy Council remain powerful. The NCPO coup group, composed of military officers, was effectively dominating Thailand as of 2015. The NCPO enacted an interim constitution that amnestied the military coup-makers, gave the NCPO head total authority to disrupt or suppress with legal impunity, and allowed for a military prime minister and National Legislative Assembly mostly composed of military officers. Most members of the newly appointed National Reform Council, which will design a new constitution, were linked to the military. In 2015, Thailand remains under direct military control.

Until the May 2014 coup, associations and assembly were conditionally guaranteed against interference or government restrictions while residents and civic groups could conditionally exercise their rights. However, decree acts were sometimes used to legitimize the quelling of unwanted demonstrations by security forces. In November

Association / assembly rights

2

2013, the Yingluck government invoked the Internal Security Act across most of Bangkok and areas close by in an attempt to pacify anti-government demonstrations.

The 2014 military coup led to a draconian crackdown on association and assembly rights as the military invoked the Martial Law Act of 1914. Section 11 of that act allows for the prohibition of any assembly or meeting. The NCPO junta's Announcement No.7 forbids any political assembly of more than five persons. However, in practice, protestors in groups fewer than five were detained, as evidenced by the arrest of a single foreigner who was wearing a shirt reading "peace please." The junta also enforced Thailand's criminal code. Article 112 (lèse-majesté) has been inappropriately used by the military to intimidate and jail those protesting against the dictatorship. Articles 215, 216, 368 (all relating to illegal meetings) can, in combination, land a person in prison for up to eight years. The junta established a Peacekeeping Task Force to enforce these codes. Protesters who showed the three-finger salute used in the movie "The Hunger Games" could face two years in prison. In November 2014, five university students were arrested for publicly protesting in this manner and there have been several other such cases. Scores of academic conferences perceived as illegal by the military were cancelled. Since the coup, hundreds of academics, students and journalists have been detained and forced to promise to refrain from political activities.

Aside from repressing Thais opposed to the coup, those also distressed by the security decrees include farmers seeking more land rights, Thai Malay Muslims, northern ethnic minorities and refugees.

Prior to the 2014 coup, Thailand's 2007 constitution guaranteed freedom of expression and media freedom. Nevertheless, a highly restrictive internet law, the Computer Crimes Act and the Publishing Registration Act mandated prison time for violators, the blocking of internet sites and defamation suits respectively. As such, the state tended to stifle freedom of expression and media freedom. Meanwhile, a harsh lèse-majesté (criticism of the monarchy) law, which was ambiguous as to what constitutes insults to the monarchy, either landed violators in prison for upwards of 15 years per charge or compelled Thais to engage in self-censorship on the issue. The National Broadcasting and Telecommunications Commission (NBTC) acted as a proactive state censorship board for telecommunications broadcasting. Finally, the 2005 Emergency Decree, 2008 Internal Security Act and 1914 Martial Law Act could legitimize the repressing of freedom of expression and media freedom when applied.

Since the 2014 military coup, the martial law act has been invoked throughout Thailand and in 2015, it remains the law of the land. Under Section 11 of the Act, any printed matter or television/radio broadcast can be prohibited. At the same time, internet service providers have been ordered to censor any information deemed to be provocative, causing public disturbance, containing official secrets, detrimental to national security or defamatory to the NCPO junta. Social media failing to block

Freedom of  
expression  
2



information deemed to be inciting unrest can be shut down; 100 websites have already been shuttered. The NCPO has also closed 15 radio stations, shuttered 10 television networks and had a prominent TV host sacked for hosting a program which critiqued the regime. Meanwhile, an increasing number of books and movies have been banned, such as George Orwell's 1984.

The NCPO has vigorously pursued lèse-majesté cases, with 2015 being the year with the highest number of lèse-majesté prisoners in Thai history. In 2014, there were 24 lèse-majesté cases. Of these, in 2015, 20 people are in prison on lèse-majesté charges. In December 2014, the NCPO announced that it would pursue lèse-majesté suspects abroad, a pronouncement which could mean an expansion of lèse-majesté cases.

In January 2015, the junta approved the Cyber Security Act. Section 35 authorizes the Cyber-Security Committee to access information on personal computers, cell phones and other electronic devices without a court order. The Act could easily extend crimes under Criminal Code, Section 112 (lèse-majesté).

### 3 | Rule of Law

Until 2014, there was a constitutionally based separation of powers among a strengthened judiciary (and monitoring agencies), a weakened executive and a legislative branch. However, overshadowing this separation of powers was a powerful monarchy, which exercised ultimate authority, and a military that held the monopoly of force. In late 2013, the executive branch unsuccessfully sought to make fundamental changes to the constitution and issue a blanket amnesty to convicted criminals. The judiciary proved to hold the preponderance of clout vis-à-vis the executive and legislative branches, given its ability to overturn legislation or block the government policy, and ultimately deposed prime ministers from office, including Yingluck Shinawatra in 2014.

Since the 2014 coup, the armed forces have dominated Thailand's political stage. The military answers only to the monarch, his Privy Council or its own interests, which are not unified but rather diverse according to each military clique. As of 2015, the NCPO junta exerts veto power over an appointed cabinet and the judiciary. A democratic separation of powers will only exist again with the resumption of democracy, which the military has promised will occur sometime in 2016.

The judiciary has been differentiated into the Constitutional Court, courts of justice, the administrative court and military court. Besides the Constitution Court, each branch has an appeals court and a supreme court. There have also been several "independent" monitoring organizations such as the Election Commission, the ombudsman, the National Counter-Corruption Commission and the State Audit Commission. However, the judicial branch as well as independent agencies have been

Separation of powers

2

Independent judiciary

3

extremely politicized. From 2008 until the 2014 coup, the judiciary held enormous authority among other institutions in Thailand's fledgling democracy. However, the judiciary has been accused of being a mechanism for arch-royalists who oppose Thaksin, Yingluck and their political parties.

Following the 2014 military coup, the invocation of martial law across the country meant that all cases would now be settled by military courts alone. These courts were not independent of the military's senior brass. Moreover, non-military parts of the judiciary continued to appear to be anti-Shinawatra. Furthermore, the post-coup judiciary seemed to be eager to convict opponents of the military and those deemed to have insulted the monarchy. In late 2014, Thai courts commenced corruption proceedings against police relatives of the ex-wife of a member of the palace. These court proceedings have been deemed to be contingent upon the wishes of this most senior Thai individual. Finally, in early 2015, the National Anti-Corruption Commission (NACC) submitted the case to the military-appointed National Legislative Assembly to indict former Prime Minister Yingluck for negligence in failing to stop graft and massive losses in her government's rice-pledging scheme.

As a consequence of the political struggle between pro- and anti-Thaksin forces since the mid-2000s, corruption prosecution has become a political weapon in Thailand. While according to the official rhetoric, the current military junta follows a hard-handed approach in holding former officeholders responsible for corruption, many observers agree that anti-corruption efforts are strongly biased against the political camp of ex-PM Thaksin and his family, whereas corruption among the former prime minister's opponents remains largely unprosecuted.

From 2013 to 2014, several charges were filed either with the office of the attorney general, the senate, the Election Commission or other monitoring agencies for abuse of office. In May, 2014, the Constitution Court ruled that Yingluck had abused her office by transferring a civil servant to another job in 2011. Meanwhile the National Anti-Corruption Commission agreed to indict Yingluck for graft in a rice-pledging scheme for Thai farmers.

Following the 2014 coup, the NACC and attorney general pressed ahead with abuse of office charges against Yingluck regarding the rice scandal. In January 2015, a rift arose between the office of the attorney general and the NACC regarding the pressing of criminal charges against Yingluck, which shows that the process of legal prosecution in Thailand is problematic.

Thailand's record on human rights, freedom of movement and legal redress of human rights violations plummeted at the end of 2013 and diminished further following the 2014 coup. From November 2013 until May December 2014, as anti-government protests soared, there were over 70 incidents of violent incidents in and around Bangkok which led to 28 deaths and 826 injuries.

Prosecution of  
office abuse  
5

Civil rights  
3

The May 2014 coup ushered in a military regime that ruled Thailand through martial law and voided the 2007 constitution. Martial law permitted military authorities to specifically violate civil rights through the detention of individuals suspected of posing a threat to the military regime. People could be held without trial for seven days, though this period could be renewed again and again. Trials were held in secret military courts which allowed few, if any, appeals. A proposed revision of the Military Court Act could allow the military to detain or arrest civilians for up to 84 days without a court warrant. Within the military detention camps, there were allegations of torture (beatings, death threats, mock executions and attempted asphyxiation); warrantless arrests on ambiguous grounds; and forced, temporary disappearances. Detainees were only allowed to return home after agreeing in writing that they would not leave Thailand without the military's permission and that they would not participate in any political activities. Violating the agreement could result in imprisonment. Meanwhile, human rights violations suffered by the Rohingya ethnic minority refugees have persisted. Elements of Thailand's security sector have been accused of participating in the human trafficking of Rohingya people fleeing Myanmar. Human rights violations have also apparently worsened in the Deep South of Thailand, where a Malay-Muslim insurgency has been brewing since the advent of Thai military rule. Finally, laws pertaining to insults against the royal family have violated civil liberties. Section 44 under the interim constitution gives total impunity to the junta, even when they violate human rights.

#### 4 | Stability of Democratic Institutions

Since the coup of 22 May 2014, there are no democratic institutions operating in Thailand. Even before the coup, most democratic institutions, including the opposition political party (Democrat), judicial branch, independent agencies (Election Commission of Thailand, National Anti-Corruption Commission, Ombudsman) and senate did not actually adhere to democratic norms. The pro-Thaksin Pua Thai party controlled the executive and legislative branches, enabling it to move towards amending the constitution and seek legislative passage of a blanket amnesty against persons convicted of certain types of corruption and certain political crimes. Thai democracy did not, however, exert effective control over the military and no control at all over the monarchy and privy council. Moreover, beginning in November 2013, certain anti-Thaksin movements – most notably the Peoples Democratic Reform Committee (PDRC) – attempted to disrupt the performance of the country's democracy, at times occupying ministries, besieging government buildings and surrounding parliament. These efforts, in part, forced the prime minister to dissolve parliament in December and call new elections. Thereupon, the anti-Thaksin Democrat party refused to participate in the election. Meanwhile, PDRC protesters did all they could to disrupt the election, including destroying ballots and assaulting candidates. Then, prior to the February election, PDRC demonstrators

Performance of  
democratic  
institutions

1

prevented candidate registration in six southern provinces and parts of two others. The disruption prevented the Election Commission from certifying 95% of the 375 constituencies, as mandated in the 2007 constitution. In March, the election was annulled by the Constitution Court. Yingluck's caretaker government continued to rule, though it was unable to pass legislation since there was no legislature in session.

From 2013 to 19 May 2014, Thailand was a defective democracy, primarily because the monarchy and military were outside of democratic control and exerted enormous political power. All other relevant actors (government bodies, police, political parties, associations, interest groups and civic organizations) accepted this state of affairs. In 2014, the anti-Thaksin PDRC first encouraged and later welcomed the 2014 military coup, as did elements of the anti-Thaksin Democrat Party. The 2014 putsch, which was endorsed by the king, terminated Thailand's democratic institutions. Thaksin himself has been mostly quiet about the military regime. In 2015, elements within the UDD, Puea Thai and the Democrat Party are increasingly reluctant to accept a continued military dictatorship. Meanwhile, there is a growing number of anti-junta groups.

According to a 2006 Asian Barometer survey, 71% of respondents supported democracy. But a 2013 Word Values Survey indicates that 25% of the Thai public feels "fairly good" about living under army rule. This polling discrepancy illustrates Thailand's paradox of democracy: while the majority favors pluralism, some Thais sometimes support military rule as an alternative to the ballot box.

## 5 | Political and Social Integration

Thailand's party system remains under-institutionalized, fragmented and highly polarized. Most party organizations have low longevity; tend to be clan-controlled, factionalized, clientelistic, regionally structured and non-idealistic. Most (including Thaksin's Puea Thai party) are power-seeking and rent-extracting, thereby recouping election losses and rewarding supporters. Perhaps the only exception is the Democrat Party, which is relatively less factious and has far more party branches. Nevertheless, it too has only slightly deeper party roots. All parties were created from the top down, driven by parliamentary, military or business elites. Some parties are vertical structures revolving around the personality of their leader. Rank-and-file members have little influence over party decisions; party switching is rife and party operations are generally opaque.

Since Thaksin Shinawatra's period as prime minister (2001-2006), parties have been polarized regarding support for or against him. Courts exert enormous power over parties, as demonstrated by the dissolution of four significant parties since 2008.

Commitment to  
democratic  
institutions

1

Party system

3

Following the May 2014 coup, the junta prohibited all existing political parties from holding meetings or engaging in political activities, forbade any new parties from forming and suspended state funding for political parties. The current party system legally exists but is forbidden by the junta from functioning in public.

The strength of societal organizations and interest groups has depended upon the sector. Until the May 2014 coup d'état, politically based social movements (specifically the pro-Thaksin UDD and anti-Thaksin PDRC) virulently opposed each other and were not necessarily supportive of democracy.

Interest groups  
4

Business associations, especially the Thai Chamber of Commerce (TCC) and Federation of Thai Industries, have been quite effective at influencing state policy.

Labor unions, on the other hand, have generally been unsuccessful. In 2013-2014, labor unions were in fact divided, with some working with the UDD in favor of the Yingluck government's populist policies and others allying with the PDRC to push Yingluck out of office.

Prior to the 2014 coup, there was a grand alliance of anti-Thaksin groups that finally pushed Yingluck's government out of power. It included the military, palace, PDRC, the Multi-colored Shirts group, the Democrat party, the Election Commission, the Association of University Presidents of Thailand, and business elites, including Singha Beer and the Chareon Pokapan Group. Though this grand alliance came from diverse segments of society, they had a narrow goal: ousting the Yingluck government.

Following the 2014 coup, the NCPO junta refused to allow members of the UDD, PDRC or labor unions to engage in political activities. Some UDD and labor union members were detained. Most Thai business associations reacted calmly to the coup. In August, business associations generally welcomed the appointment of the junta leader Gen. Prayuth Chan-o-cha as prime minister, seeing it as a stabilizing influence on the economy.

In 2013, most nationwide polls began to show a loss in support for the pro-Thaksin Pua Thai party as well as for Prime Minister Yingluck Shinawatra. However, the opposition Democrat party was even more unpopular. In late 2013, many Thais (Bangkokians, urbanites, southerners) began increasingly to support the PDRC, which branded Yingluck's elected government as a vaguely undemocratic "Thaksin regime." In attempting to force Yingluck's government from office, the PDRC, popular with mostly urban and southern Thais, engaged in anti-democratic activities, including besieging the country's elected parliament and attempting to disrupt the 2014 democratic election. By May 2014, Thai citizens, acrimoniously divided over Thaksin, seemed to see democracy only through the lenses of their partisan interests.

Approval of  
democracy  
n/a

Following the 2014 coup, a July 25 NIDA poll indicated that 79.94% of Thai people voiced their support for the continued existence of the military junta. A November 2 Dusit poll found that 78.58% of Thais supported the achievements of the military regime. Nevertheless, the polls' reliability is dubious since they use only a small sample size, the wording of the questions has been vague and most of the poll groups (such as NIDA) have been identified as affiliated with partisan interests opposed to the Shinawatras. Meanwhile, a flurry of pro-democracy groups has arisen, including the Organization of Free Thais for Human Rights and Democracy, Citizen Resistance, the Thai Student Centre for Democracy and Dome Front Agora.

In Thailand, family and kin groups have served as crucial actors expediting collective action. Meanwhile, already-tight community groups have helped to make the decentralization of administrative capacities a successful phenomenon. Dense networks of mechanisms and structures have brought forth business associations, unions and NGOs.

Thailand's government has worked to spark greater social-capital-based relationships. Thailand's 2012 – 2016 National Economic and Social Development Plan seeks to harness social capital as a means of boosting development. The Thai Social Enterprise Office (TSEO) was created in 2010 to provide backing for social enterprises. The TSEO enacted the Social Enterprise Master Plan (2010-2014). By early 2014, there were close to 120,000 social enterprises in operation. Since the 2014 coup, the junta has not allowed the expansion of social enterprises, viewing such organizations with suspicion.

Social capital  
5

## II. Economic Transformation

### 6 | Level of Socioeconomic Development

Generally, Thailand's socioeconomic development has consistently improved, paralleling an incremental rise on the UNDP's Human Development Index (HDI) since 2005. The country received a 2012 HDI value of 0.690 and an HDI ranking of 103 out of 187 countries, while the country's 2013 per-capita GDP was \$14,390 (purchasing power parity) alongside a moderately growing economy.

The literacy rate is 96.4%, and more than 97% of the population has access to improved sanitation facilities and clean water (World Bank). These indicators suggest that socioeconomic development has continued to improve. Meanwhile, in 2013 Thailand fell to a rank of 70 on the Gender Inequality Index, from a rank in 2012 of 65 (out of 135 countries). Moreover, income inequality has persisted. The wealthiest

Question  
Score

Socioeconomic  
barriers  
6

20% of the population earns half the total income; the Gini index places deviation of income distribution at 39.4.

A large number of Thais continue to suffer from poverty, social exclusion or discrimination due to gender, ethnicity or geographic location. According to the UNDP, 12.6% of Thais live below the poverty line (3.5% survive on less than \$2 per day). These problems have been most acute among northern ethnic minorities (many of whom lack citizenship), Malay-Muslims in the far south (where insurgency has impeded development efforts) and in the country's populous northeast (where two-thirds of Thailand's impoverished citizens reside). Most of Thailand's previously-enacted pro-poor programs, such as the Yingluck government's THB 300 minimum wage, have thus far been preserved by the post-2014 military junta.

Economic indicators		2005	2010	2013	2014
GDP	\$ M	176351.8	318907.9	387252.6	<b>373804.1</b>
GDP growth	%	4.6	7.8	2.9	<b>0.7</b>
Inflation (CPI)	%	4.5	3.3	2.2	<b>1.9</b>
Unemployment	%	1.3	1.0	0.7	-
Foreign direct investment	% of GDP	4.6	2.9	3.7	<b>3.4</b>
Export growth	%	4.2	14.7	4.2	<b>0.0</b>
Import growth	%	9.0	21.5	2.3	<b>-4.8</b>
Current account balance	\$ M	-7646.6	9945.9	-3781.3	<b>13405.0</b>
Public debt	% of GDP	44.0	39.9	42.2	<b>43.5</b>
External debt	\$ M	58600.1	106323.1	135379.3	-
Total debt service	\$ M	18044.4	10964.2	12884.6	-

Economic indicators		2005	2010	2013	2014
Cash surplus or deficit	% of GDP	2.5	-0.6	-	-
Tax revenue	% of GDP	17.2	16.0	-	-
Government consumption	% of GDP	11.9	13.0	13.8	<b>14.2</b>
Public expnd. on education	% of GDP	4.2	3.8	-	-
Public expnd. on health	% of GDP	2.3	2.8	3.7	-
R&D expenditure	% of GDP	0.23	-	-	-
Military expenditure	% of GDP	1.1	1.6	1.5	<b>1.5</b>

Sources (as of October 2015): The World Bank, World Development Indicators 2015 | International Monetary Fund (IMF), World Economic Outlook, October 2015 | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database 2015.

## 7 | Organization of the Market and Competition

Thailand is officially a pro-business country, with laws intended to attract foreign investment and a constitution guaranteeing the presence of a free-market system. Yet despite efforts to institutionalize market competition more fully, the situation remains flawed. Following post-1997 deregulation and transparency efforts, the process of bidding for contracts has remained somewhat opaque. An example of non-transparency in state contract bidding during the period can be seen in the scandal of the rice-buying scheme, introduced by Yingluck government. The Thailand Development Research Institute dubbed this policy as “built in” corruption, which largely benefits the pro-Puea Thai network including rich farmers, rice mill owners and exporters. In January 2015, Yingluck herself was impeached by the National Legislative Assembly for her role in the scheme. In November 2014, the junta-appointed National Legislative Assembly passed a bill requiring government agencies to set deadlines for granting approval to businesses bidding for contracts, in order to make tendering more convenient and thus reducing potential corruption.

The persistent influence of economic heavyweights continues to hinder the development of Thailand’s financial sector. The country also continues to have a large underground economy and informal sector, from which many Thais derive their earnings. According to the National Statistics Office of Thailand (2013), 60% of the total workforce is informal labor, mostly employed in the manufacturing, trade and service sectors. Almost all lack social security protections and are neither part of the country’s tax system, nor enjoy the 300 baht per-day minimum wage initiated under the Yingluck government. According to Thailand’s revenue department, in 2015, less than 40% of the workforce pays tax; the informal sector is not comprehensively

Market-based  
competition

6



covered by the country's current tax system. Moreover, the informal sector tends to produce approximately 50% of the country's gross domestic product. Women have traditionally made up a large proportion of Thailand's informal sector employment. Thai employers increasingly rely on cheaper immigrant labor, as a means to better compete with lower-cost industries in Cambodia, Vietnam, Myanmar and Laos.

Administered prices for transportation, education and medical fees, basic consumer goods and diesel fuel have been on the upswing since 2013. There are few entry barriers to the Thai market except for those involving foreign firms. Thai law generally prevents foreign firms from acquiring majority ownership. Large, domestic firms (private or state), with legal and financial advantages, enjoy the least obstacles in terms of market competition. In 2015, competition among firms, becoming ever more intense, is increasingly squeezing out small and mid-sized companies. The military regime has championed trade liberalization in anticipation of the commencement of the ASEAN Community in late 2015.

The 1999 Trade Competition Act has proved to be relatively ineffective due to the numerous exemptions accorded to state-owned companies, public agencies and influential individuals. Pressure from big business and inadequate enforcement hindered TCC efforts. For example, in November 2014, Thailand's Deputy Commerce Minister lamented that Thailand's Trade Competition Act, which has been in effect for 15 years, has never been used for a single successful prosecution.

Anti-monopoly  
policy  
5

In post-coup 2014, the commerce ministry introduced an amendment to the TCC Act designed to establish equal treatment under the law between public and private companies, making the largest ten public companies subject to scrutiny, especially regarding market dominance. Market dominance itself will be redefined as 30% of market share from the act's earlier defined figure of 50%. A better complaints process is supposed to be introduced to handle complaints regarding political interference while the Thai Trade Competition Commission may become more independent of the state. Nevertheless, at the time of writing, this amendment has yet to be passed.

Thailand's policymakers have continued to stall in the dismantling of certain trade barriers and to liberalize its foreign trade. Indeed, in 2015, both the United States and WTO view Thailand's high tariffs as an impediment to market access in many sectors.

Liberalization of  
foreign trade  
7

Thailand's Foreign Business Act (FBA) forbids majority foreign ownership in most sectors. Recent changes to the act bar foreigners from utilizing nominee shareholders or preferential voting rights to control Thai companies in certain sectors.

The country has avidly promoted bilateral, regional and global free-trade agreements (FTAs); indeed, Thailand has been a major supporter of ASEAN Plus 6 Free Trade Area and ASEAN Community 2015. Negotiations for a Thailand-United States FTA have thus far foundered over U.S. demands for more international property rights

protections. Work toward a Thailand-European Union FTA has recently stalled as a result of the EU's disdain for Thailand's 2014 coup.

Following the 2014 coup, Thailand's junta has followed the previous government's policy of promoting greater regional trade liberalization in the Greater Mekong Subregion. However, evidence of Thailand's inability to safeguard international trade standards was reflected in 2014 by the fact that the Office of the U.S. Trade Representative placed the country on its Priority Watch List for the eighth year in a row. This action generally owed to Thailand's failure to address copyright piracy, trademark counterfeiting and infringements on intellectual property rights.

In late 2013, the IMF joined the United States in calling for Thailand to end its rice subsidy policy; this policy was abandoned by the post-coup 2014 junta. The WTO in 2014 ruled that the Philippines can ask for its approval to impose sanctions against Thailand following a WTO ruling that Thailand's value-added tax (VAT) policies relating to Philippine cigarettes constituted a violation of WTO rules. In mid-2014, the U.S. downgraded Thailand to Tier Three with regard to human trafficking/forced labor.

Thailand has a banking system and a capital market which are differentiated and in principle oriented to international standards. As a result of lessons learned from the past and subsequent financial reforms, Thailand's banking sector is relatively more stable than banking sectors in many developing and advanced countries, despite suffering from recent domestic political chaos and a military coup.

Banking system

8

The share of non-performing loans stood at 2.3% in 2013 and the economic slowdown, resulting from political chaos and diminished private sector confidence, contributed to a reduction in the banking system's loan growth to 7.3% in 2014 from 11% in 2013.

Banking reforms since 2006 have sought to increase overall market capitalization, providing greater fundraising efficiency and promoting savings, especially in the equity, bond and derivatives markets. The country incrementally implemented Basel II banking regulation standards in late 2010 and since 2013, the Bank of Thailand has implemented the BASEL III framework. This has included Thai banks' issuance of BASEL III-compliant instruments such as injections of public funds.

Meanwhile, with the goal to expand banking competition and promote more banking services, the Bank of Thailand drafted Financial Sector Master Plan II (FSMP II) for 2010 – 2014. The eligibility for such licenses officially commenced in December 2013 and a further phase in 2014 permitted even more full commercial licenses for foreign banks.

The state has also sought to enhance banking transparency. In 2015, 11 of 17 Thai banks were listed on the Stock Exchange of Thailand (SET), ensuring banking

transparency at least for these listed institutions. In 2013, Thailand's bank capital-to-assets ratio was 10.9%, a drop from the 2012 ratio of 11.2%. Nevertheless, market capitalization within the SET has been unstable. In 2014, daily turnover at the Stock Exchange of Thailand (SET) and Market for Alternative Investment (MAI) reached \$10.2 billion and THB 946.1 billion, respectively. In addition, the market's capitalization grew to THB 13.856 billion in 2014, up from THB 11.496 billion in 2013. In 2014, the SET ranked as the third best-performing market in ASEAN and the 19th best-performing in the world.

The country's struggling equity market, reacting to the 2013-2014 political turmoil, nevertheless suffered less than expected. The Yingluck government, followed by the 2014 post-coup regime, has sought to inject sufficient funding to shore up the local exchange.

## 8 | Currency and Price Stability

Curbing inflation has been a problem for Thai governments in recent years; from 2000 to 2013, it averaged 2.7%. However, it dropped to 2.2% in 2013 and fell to a 5-year low of 1.26% in November 2014.

Anti-inflation /  
forex policy

8

The Stock Exchange of Thailand (SET) Index experienced a bumpy ride over two years, dropping at the beginning of the 2013 political turmoil and growing again amidst Yingluck's dissolution of the lower house of parliament in December 2013. By 2015, the SET had increased to 1535 index points.

Meanwhile, the Bank of Thailand, which in 2007 had abandoned the managed float system, followed a flexible foreign exchange policy that permitted the baht to move in line with the market – a policy which, Prime Minister Yingluck (2011-2014) generally maintained. Since becoming governor of the Bank of Thailand in 2010, Prasarn Trairatvorakul has maintained the tight monetary policies of his predecessor, especially in terms of continuing high interest rates to stabilize the baht. Indeed, Prasarn opposes most fiscal tinkering, arguing that if the rate was kept low for too long, it could cause a bubble in the market. During Thailand's political chaos from December 2013 to May 2014, his Bank of Thailand managed to keep the baht relatively stable. Following the 2014 coup, Prasarn found support for his tight monetarism from coup leader and later Prime Minister Gen. Prayuth Chan-o-cha.

From December 2013 to May 2014, political turmoil, inconclusive elections and a military coup all contributed to diminishing the stability of the Thai economy. Consumer and business confidence plummeted, retail sales growth fell, manufacturing output dropped and GDP growth slowed. Nevertheless, the Bank of Thailand, through 2013-2015, continued to follow a tight monetary policy in efforts to keep inflation low. Though Prime Minister Yingluck used fiscal spending to

Macrostability

8

strengthen the economy, when she became a caretaker in December 2013, she was legally constrained from engaging in spending (e.g. maintaining the value added tax rate at 7%). Yingluck remained as a caretaker until May 2014. In May, Thailand's 10-year government bonds rose, following months of political chaos and shrinkage in GDP. It was the largest drop in yield since Yingluck's December 2013 dissolution of the lower house of parliament. Thailand's poor credit-growth environment led investors to allocate money in bonds.

Following the May 2014 coup, foreign capital flowed back into the bond market, particularly in long-term bonds, which received a net inflow of \$3.3 billion from June to December. In 2015, foreigners held \$20.8 billion in bonds, which is 3.7% lower than the 2013 total of \$21.6 billion. In 2014, seeking to bolster the unsteady Thai baht and in anticipation of growing US interest rates, Thailand sold some of its international reserves. Nevertheless, total reserves have grown from \$161.3 in 2013 to \$167.45 in 2014. Total debt service grew to \$11.536 billion in 2013. With a self-imposed debt ceiling of 60%, public debt grew from 40.5% in 2013 to 46% in 2014 while the country had a cash deficit of \$7.7 billion.

To kick-start the economy, the 2014 post-coup military regime initiated a \$9.35 billion stimulus package and commenced \$73 billion of infrastructure mega-projects between 2015 and 2022. According to Thai officials, as the post-coup mega-infrastructure projects commence in 2015 amidst slower-than-expected economic growth, public debt might exceed 50%.

## 9 | Private Property

Property rights and property acquisition are loosely and informally enforced in Thailand, often depending upon personal contacts. The 2014 International Property

Property rights  
7

Rights Index, which addresses legal, political, physical, intellectual and gender issues regarding property rights, ranked Thailand 50 of 97 countries worldwide, and 10 of 16 countries in Asia. This score represented an improvement from 2013 to 2014 of 0.1 points. While Sri Lanka and Indonesia rank below Thailand, India and China are ranked higher. This scaling has changed little over the years. The Heritage Foundation's 2014 Index of Economic Freedom has continued to give Thailand a 45% on a 0% – 100% scale of private property rights; there has been no change in this variable since 2008. According to the Heritage Foundation, though private property is generally protected in Thailand, there has been a decline in the rule of law as measured by property rights. Third parties can illicitly influence legal judgments. Though Thailand maintains an Intellectual Property and International Trade Court, intellectual property piracy persists. Finally, the government can disclose trade secrets to protect its perception of public interest.

Though Thailand has a large public sector, private firms remain crucial to the country's economy. In 2013, starting a business took four procedures and 28 days (the third shortest in Southeast Asia), thanks to reduced bureaucratic obstacles. However, efforts at privatization have hit a wall given resistance from parts of civil society as well as entrenched, vested interests. The state has enacted legislation forbidding the privatization of socially vital state enterprises (or those holding "commanding heights") such as the Electricity Generating Authority of Thailand (EGAT) or the Water Works Authority (MWWA). As such, privatizations efforts such as those of the Port Authority of Thailand, the State Railway of Thailand, and the Mass Communication Organization of Thailand (MCOT) have all been stymied.

Private enterprise  
7

Though the Yingluck government persisted in seeking to privatize Thai Airways International and PTT from 2013 to 2014, the May 2014 coup stopped those efforts. Since the coup, a senior military officer has become economic "czar" for the country's 56 state corporations. Meanwhile, senior military officers continue to sit on the boards of these state enterprises, giving rise to apprehension that such officials will use their influence with these enterprises to bolster their economic interests. Like previous prime ministers, the appointed prime minister, Gen. Prayuth, supports the privatization of universities, with the result that tuitions have continued to rise and institutions unable to adapt to the transition have been shuttered. Prayuth has resurrected plans to woo private investors to support Thai government efforts to develop the Dawei commercial port in Myanmar while also approving a \$23 billion rail link to Laos, which is aimed at benefiting private enterprise trading with China.

After the 2014 coup, the regime established a Public-Private Partnership Policy Committee, which approved 13 organic laws to facilitate joint investments by the private sector, including an expedited screening process and procedures to invite private firms into joint investments.

## 10 | Welfare Regime

The country already has a social security act (enacted in 1990) as well as a labor protection act (enacted in 1998). However, social security is marked by numerous gaps in coverage while labor protections suffer from ineffective enforcement. The Yingluck government, in power from 2011 to 2014, initiated an assortment of pro-poor policies including greater cash flows to farmers and a (still partially implemented) THB 300 daily minimum wage. A National Savings Fund, initiated by the 2008-2011 Democrat government, was shelved by the Yingluck government, which claimed that Section 40 of the Social Security Fund Act already provided pensions to workers in the non-formal sector. In response, the Democrat Party, in mid-2013, initiated impeachment proceedings against the finance minister while a lobby representing pensioners moved toward criminal charges against the government. Universal health security for all Thais is a main goal of Thailand's 11th

Social safety nets  
6

National Development Plan (2012-2016). According to the World Bank, Thailand in 2012 spent 3.0% of GDP on health care, down from 3.2% the previous year.

Following the 2014 military coup, the new military regime re-examined social security funding and, to free up the budget, allegedly diminished some of it. Since then, elements within the National Legislative Assembly have insisted that the junta carry through with setting up a National Savings Fund. The regime did enact a small pension fund for Thai rice growers on the condition that they contribute to a rice development fund. Also, in a New Years 2015 surprise, the junta began offering modest state subsidies to rubber and rice farmers while also allowing people over 60 to subscribe to the pension fund and insurance coverage under the social security scheme.

Women and minorities continue to enjoy less institutional assistance in accessing public services or serving in public office than do men. The Yingluck government, however, assisted these groups more than most previous administrations. In 2013, it established a One-Stop Crisis Centre to reinforce the continuing efforts to respond to and prevent violence against women and girls. However, by 2014, cronyism and red tape had partly hindered the realization of a 7.7 billion baht Women's Empowerment Fund. Meanwhile, the Yingluck government in 2014 increased funding for a drive toward providing 1.8 million Thai children with computer tablets. Its increased minimum wage policy was helping poor women and minorities alike. However, under Yingluck, no process for specifically addressing the problems of ethnic minorities was ever commenced. Discrimination against and harassment of Cambodian, Burmese, Lao, Malay and other minorities is frequent. Thailand has not ratified U.N. conventions on refugees and has forcibly repatriated Burmese, Hmong and Rohingya refugees. In late 2013, it was revealed that Thai navy officials were involved in human trafficking and abusing Rohingya refugees in Thailand.

Equal opportunity

5

Following the 2014 coup, the junta began a critical review of Yingluck's aforementioned policies. It also announced that Burmese refugees in Thailand would soon be repatriated back to Myanmar and for a time it forcibly deported migrants from Cambodia and Myanmar. Rohingya refugees are increasingly being forced out in boats to the ocean where their anchors are then cut. Migrant women continue to be badly mistreated, suffering salary discrimination and on-the-job harassment.

## 11 | Economic Performance

In 2013, Thailand's economy experienced GDP growth of 1.8%, considerably slower than the 7.7% rate of 2012. This contraction owed to a weakening in domestic demand, a deceleration in the quantity of exported goods and services, plummeting investment, a lessening in consumption and increasing political uncertainties. Though GDP had been expected to rebound in 2014, a myriad of negative factors hindered an

Output strength

5

economic resurgence, including six months of disruptive political chaos, the May 2014 coup itself, a 10.4% drop in tourism, dismal exports, plummeting car sales, growing state debt, diminished rice and rubber prices, increasing household debt, lukewarm domestic consumption and private investment, and delays in the government's budget disbursement. In 2013, though Thailand's foreign direct investment rose to 13 billion (3% of GDP), the country's 2013-2014 political turmoil diminished the level of inward FDI. These all combined to diminish the 2014 GDP growth to 0.8% while exports contracted by 0.5% and imports declined by 14%, although a rebound in both was expected to occur in 2015. In November 2014, the country recorded a trade deficit of \$78 million. Meanwhile, Thailand's continuing low unemployment has helped the economy, although this does not include the informal sector. It stood at 0.7% in 2013 and 0.6% in 2014. In 2014, there was also a growth in consumption prices but a drop in the cost of living. Inflation diminished to 2.2% in 2013 and is expected to be 2.1% in 2015. In 2015, consumer demand has grown, buttressed by rising consumer confidence following the return to political order. The current account was 0.7% in 2014 and may improve in 2015. The public debt ceiling stands at 60% of GDP, with public debt in 2014 having risen to 46%. Meanwhile, taxes represent 16.5% of GDP. Though private consumption diminished in 2014, both private and public consumption are expected to grow respectively at 3.7% and 3.6% in 2015. Gross capital formation diminished from 29.7% in 2012 to 29.2% in 2013. In 2014, Thailand recorded a budget deficit of THB 250 billion (-2.5% of GDP) and in 2015, the junta has stated that this figure will remain the same.

## 12 | Sustainability

Thailand's environmental policy tends to be subordinate to growth efforts, receiving only partial attention from the government. The 2014 interim constitution mandates that a National Reform Council will make recommendations for improvements to the environment. Nevertheless, continuing economic growth has increasingly posed challenges to environmental conservation. Moreover, vested interests with bureaucratic connections have sometimes succeeded in placing personal financial interests ahead of environmental welfare (e.g., water contamination from the Chiang Mai night safari). However, foreign and local NGOs have played a vital role, adding their voice to efforts to improve state environmental policy.

Following the 2014 military coup, the junta declared that protecting the environment and natural resources would be one of its primary goals. It further declared that Thailand would reduce greenhouse gases by 7-20% on a voluntary basis in the energy and transport sectors by the year 2020. The junta has ruled out constructing nuclear power plants, opting instead for coal-powered power plants to meet Thailand's energy needs, though the choice of coal will not help the environment. The regime is also promoting construction of the Mae Wong Dam in Thailand, a policy that has

Environmental  
policy  
6

been opposed by environmentalists. Meanwhile, the junta continues to promote the building of environmentally destructive dams and coal mines in Laos for fuel needs. As with previous governments, the junta has pumped more money into the pollution-plagued Map Ta Phut Industrial Estate in Rayong. In 2014-2015, fires at dump-sites in central Thailand led the junta to more carefully work towards reducing industrial waste. The junta has agreed to a deal with China for a high-speed railway across Thailand, despite potential environmental costs.

Thailand's public education system covers the entire country, though in the far south schools often close, due to the regional insurgency. Given that public schooling (grades one through 12) is mostly free (with grades one through nine compulsory), school attendance is close to universal. According to the World Bank, Thailand's adult literacy rate in 2014 was 96.4%, with gross enrollment at 92.8% at the primary level and 87% at the secondary level. As for relative school enrollment, male students predominate at the primary level, but beginning in secondary education and even more at the tertiary level, more females are enrolled.

Since 2002, the Thai education budget doubled, and in 2014 it represents 7.6% of GDP. For the 2015 national budget, the junta has allocated 19.5% of the total budgetary allocation to education. This represents a 3.2% increase since 2014. Nevertheless, according to the Thai Research Development Institute, the major problem with Thai education is the continuing poor quality of teachers in Thailand's state schools, not financial resources. In wealthier urban areas, schools tend to offer higher standards of teaching and better educational resources than schools in poorer, rural areas. Other problems include money earmarked for education that is squandered either through mismanagement or corruption. Thai students in state schools, when tested through the Program for International Student Assessment (PISA) and the Ordinary National Educational Test (O-Net), have generally received lower scores. The 2011-2014 Yingluck government enacted a one-computer-tablet-per-child scheme for schoolchildren. Following the 2014 coup, the junta scrapped Yingluck's computer tablets policy and ordered the ministry of education to begin planning to embed 12 main Thai "values" into the education reform road map for the years 2015-2021. These values include patriotism, morality and discipline.

According to a June 2014 Bank of Thailand Report, Thailand has been losing its export competitiveness; indeed, investment in research and development has lagged behind that of countries such as Singapore, Malaysia and Indonesia. Research and development as a percentage of GDP has not risen above 0.25%, a figure which, according to the World Bank, is one of the world's lowest. Meanwhile, Thailand's ranking for innovation in the World Economic Forum's Global Competitiveness Index fell to 67 in 2014 from 33 in 2007, even as that of the Philippines, Indonesia and Malaysia rose.

Education policy /  
R&D  
6



# Transformation Management

## I. Level of Difficulty

In Thailand, three deeply entrenched structural constraints have affected governance. First, there is the geographically imbalanced character of socioeconomic development, with its concentration of wealth in the capital region and general neglect of the northeastern region and parts of the north and far south. The World Bank states that in 2013, over 80% of Thailand's 7.3 million poor lived in rural areas. In 2014, according to the World Bank, though Bangkok possessed 17% of Thailand's population and accounted for 25.8% of the GDP, it consumed over 70% of total government expenditures. However, the rural and impoverished northeast, which accounts for 34% of the population and 11.5% of GDP benefits from only about 6% of total government expenditures.

Structural  
constraints

6

Second, there is a deep cleavage between the “wealthy and well-born” and the middle class, on the one hand (which tends to be Thai/Thai-Chinese), and the lower classes (tending toward Thai-Lao and other ethnicities) on the other. Indeed, there is a marked difference in the quality of education between schools for the poor and those for the middle-income or rich. While this cleavage involves not only distributional issues, the socially unjust distribution of income and wealth is definitely a major factor.

Third, there is an institutional imbalance between the state and civil society. Ambivalence and sometimes hostility towards civil society by the military, bureaucrats and the monarchy have produced significant obstacles to a deeper and more sustainable democratic transformation. Such antagonism was exemplified and enhanced by the 2014 coup, producing a military dictatorship that will continue at least until 2016.

Thai civil society has long had an antagonistic relationship with the state, especially regarding the environment, land titling and issues of democracy. Thai civil society was initially rooted in the activities of Christian missionaries, Buddhist charities and urban elites. However, modern civil society evolved from the political space that opened up from 1973 to 1976 and after 1979. From 1980 to the review period, the state for the most part has allowed NGOs to evolve uninterrupted. Nevertheless, problems of interference by the military, co-option by the state, internal malfeasance,

Civil society  
traditions

6

and poor leadership have continued to beset the development of Thai civil society. Today, over 18,000 NGOs are registered in Thailand, with many receiving donations from international agencies.

In recent years, two broad groupings of demonstrators have appeared, one opposing the Shinawatra family and the other supporting it. In early 2013, the strongest of these groups was the United Front for Democracy Against Dictatorship (UDD). The UDD is a broad, diverse social movement supported by businessman-politician Thaksin Shinawatra and includes elements of the lower and middle classes. It has sought economic and political reforms, sometimes using violence to further its cause, and actively backed Yingluck's government. Meanwhile, the People's Democratic Reform Committee (PDRC), formed in 2013, has been an umbrella group, in league with a few smaller splinters, which vehemently opposes the Shinawatras. It sought to expel the elected Yingluck government from office and descended from the earlier anti-Thaksin People's Alliance for Democracy (PAD). The PDRC has been allied with reactionary royalist elements supportive of a regression of Thai democracy. During the 2013-2014 PDRC-led demonstrations, its supporters used violence to inhibit the Yingluck government's effective administration of the country.

Thailand's May 2014 military coup was mostly met with acquiescence from Thai civil society groups. Some NGOs actually supported the coup while others opposed it. Any NGO members voicing opposition to the military junta could be detained or incarcerated while their organization might be dissolved. In 2015, members of anti-Shinawatra civil society groups have suffered little or no repression from the junta while members of pro-Thaksin groups – particularly the UDD – have been monitored, incarcerated or worse.

In 2013-2015, Thailand suffered from three principal conflicts. One divide pitted those opposed to Thaksin Shinawatra and his family against those supporting him. The importance of this issue paralleled an impending royal succession. Rural dwellers and the lower classes strongly backed the ex-prime minister, while the urban middle classes and elites vehemently opposed him. Since the putsch, the PDRC and UDD, along with other groups allied with each side, have remained virulently opposed to one other. However, this clash has stalled, given the military junta's application of martial law throughout Thailand. Nevertheless, a high level of conflict intensity remains between the two sides.

A second conflict has been the Malay-Muslim insurgency in Thailand's southernmost provinces of Yala, Narathiwat and Pattani, which has contributed to an increasingly hard-line stance by southern Buddhists, resulting in heightened levels of violence between Buddhists and Muslims in the area. In 2013-2014, despite initial negotiations between the state and one insurgent group, violence reached its highest

Conflict intensity

7

level since 2006. Since the 2014 putsch, the military junta has downgraded negotiations.

A third conflict has centered upon Thai-Cambodian border relations, especially regarding the issue of which country owns territory abutting an ancient temple straddling the two countries' boundary. Since 2008, both Thai and Cambodian soldiers have died along this ambiguous frontier. In November 2013, the International Court of Justice ruled that Cambodia should possess the promontory of land where the temple sits. Yet Thailand interpreted the decision as meaning that the two countries needed to decide where the promontory frontier lies. Following the 2014 coup, there has been fear that the new junta will downgrade frontier negotiations.

## II. Management Performance

### 14 | Steering Capability

The Yingluck government, in office from 2011 to 2014, prioritized bestowing populist policies among mostly lower class Thais. Throughout her administration, Yingluck also pushed hard to have the legislature, which was dominated by the pro-Thaksin Puea Thai Party, bestow amnesty upon those found to have committed corruption and limited political crimes. Furthermore, Puea Thai attempted to force several amendments through the constitution which would help strengthen large parties as well as the executive branch. Above all, the government was intent upon survival in office. Meanwhile, regarding the southern insurgency, Yingluck prioritized the use of serious negotiations. The May 2014 military coup brought in a dictatorship that prioritized survival and quashing any dissent above all else. Since the coup of 2014, the strategic capability of the military dictatorship regarding organizing policy measures has been quite poor. This was in large part due to the cronyism that left the junta to rely on a close circle of people. And indeed, policy formulations are not made in a transparent manner. The coup-makers also designed an interim constitution that provided them amnesty, gave the junta greater power than the prime minister and allowed the junta leader to do almost anything with legal impunity. The junta's fundamental objective was security for itself but also for the country. It also wanted to sustain itself in office. Publicly, the regime is promoting 12 "core values" throughout Thailand, the first of which is to protect the nation, religion, and monarchy. In 2015, it is pushing for a new, permanent constitution to be enacted in 2016.

Question  
Score

Prioritization  
4

The 2011-2014 Yingluck government was constantly criticized by its detractors for placing too many Shinawatra loyalists into key policy implementation roles and forcefully implementing a policy platform based around infrastructure spending measures, populist handouts, amending the constitution to benefit itself and working for a legislative amnesty of Thaksin. Given its legislative majority and CEO management style, Yingluck's administration was initially successful in formulating and implementing various bills. But her government's populist rice-pledging program became embroiled in corruption. Ultimately, in its probe of this malfeasance, the National Anti-Corruption Commission unanimously ruled to indict Yingluck for violating the constitution in her intentional abuse of power relating to policy implementation. In general, however, corruption has been a major obstacle to policy implementation, given that politicians in Yingluck's coalition often diverted state resources toward pork-barrel projects in their constituencies. In late 2013 and early 2014, chaotic anti-government demonstrations prevented the government from implementing many of its policies effectively, especially given the fact that Yingluck's administration became a mere caretaker government in the final days of 2013.

Implementation  
6

The 2014 military coup facilitated policy implementation given that policy changes could easily occur under martial law, which continues to be applied into 2015. Nevertheless, key business leaders have complained that the junta needs to establish clearer policy implementation and quicker budget disbursement to strengthen investor confidence and bolster the economy. Meanwhile, the junta has sought to improve policy implementation in the insurgency-prone Deep South by merging the fragmented command and allocation of resources.

In 2013-2014, anti-Yingluck protest groups attempted to disrupt the Yingluck government's hold on power. This showed that opposition forces had in fact not learned to accept a government opposed to their interests, although it had risen to office through elections. During its 2011-2014 administration, the Yingluck government demonstrated innovation and flexibility by working with the palace and military, but also pushed for constitutional amendments to increase the Puea Thai party's political power while seeking amnesty for Thaksin via a "reconciliation" bill. This latter priority showed that pro-Shinawatra forces had failed to learn that they should not enrage arch-royalist forces, given that the elected government itself could be overthrown. And it was. As in 2005, opposition demonstrations created chaos, followed by military adventurism that ultimately ousted Yingluck's government from office.

Policy learning  
4

The new military regime, headed by Gen. Prayuth Chan-o-cha, also showed that it had learned from the past. It claimed to adopt Thaksin-oriented populist policies. The new regime also vowed to oppose corruption, given that Yingluck's government had been charged with malfeasance. Despite promises of being transparent, corruption-free and above all focused on bringing Thailand's pandemonium back to order, junta

policies have been rigidly enforced and the routines of policy-making have not enabled innovative approaches. Thailand in 2015 continues to be under a rigid military dictatorship. Junta leaders do not seem to realize that the character of their regime facilitates opaqueness and corruption and provides no space for innovative policy learning.

Regarding the southern insurrection, the Yingluck government in 2013 engaged in negotiations with one insurgent group. The decision to engage in peace talks derived from a learning process that found the previous policy of mere state repression to be ineffective. Though these talks were foundering in early 2014, the military leaders of the May 2014 reverted back to a more hard-line policy, though they did promise that negotiations would resume.

## 15 | Resource Efficiency

During the review period, inefficiencies have persisted in the financial market, the banking sector and in the rule of law while there has been an inefficient use of available personnel, budgetary and administrative resources. By 2013, energy intensity had diminished 2.4% since 2010 (base year), according to the ministry of energy. The 2011-2014 Yingluck government primarily focused on populist policies designed to boost consumer income and spending, including a rice-pledging scheme offering subsidies to farmers 40% above market price, a minimum wage scheme and tax cuts on diesel fuel, corporate and individual taxes. Such policies contributed to a steady rise in public debt, which, according to Thailand's Public Debt Management Office, was 41.0% of GDP when her government took office in August 2011 and 47.08% of GDP when her government left office in May 2014. This development has potentially jeopardized a commitment to a balanced budget by 2017. Moreover, appointments to and dismissals from top government positions were primarily based upon partisanship rather than efficiency. From November 2013 to May 2014, resource efficiency proved especially difficult given a sudden upsurge in political chaos.

Following the May 2014 military coup, an end to this chaos helped to improve efficiency. The NCPO junta promised to adhere to economic efficiency in budget spending, tax collection, the monitoring of state enterprises and a reining in of state debt. In fact, public debt had dropped to 46.12% of GDP by December 2014, according to Thailand's Public Debt Management Office. The military assumed greater control of state enterprises, a move which may not improve efficiency, given past problems in military corruption. The junta also cancelled Thailand's decentralized democracy until January 2015. By December 2014, the junta has increased defense spending for the 2015 budget by 5% over the previous year (it has increased 135% since 2004). The junta and appointed cabinet are dominated by the

Efficient use of  
assets

5

military, with the filling most top positions based upon partisanship rather than efficiency.

In 2013, the Yingluck government continued to try to establish a coherent government policy. She sought to satisfy those who had elected her by striving to implement more populist policies, back the prosecution of civilians who participated in the repression of UDD demonstrations in 2010 and give spoils to pro-Thaksin politicians. However, she also sought to placate conservatives by strengthening the Thai macro-economy by pumping \$61 billion into infrastructure projects and \$10.6 billion into water management and flood prevention programs. Furthermore, she prosecuted Thais accused of insulting the monarchy while appeasing the military with more defense allocations. Regarding the southern counterinsurgency and Thai-Cambodian border dispute, Yingluck's government increasingly championed a policy emphasizing negotiations – a stance opposed by the military. By December 2013, Puea Thai party's persistent efforts to amend the constitution and grant an amnesty to Thaksin had forced an end to any policy coordination with the military or the palace.

Policy  
coordination  
4

Following the May 2014 coup, the junta sought to co-opt many of the Shinawatrass' populist policies. Junta leader and appointed Prime Minister Prayuth Chan-o-cha exhibited a personalist style of centralizing control over policy. It was believed that dictatorship would make it easier to coordinate policy. Nevertheless, it has not been easy to resolve his regime's conflicting objectives (e.g. by reducing state debt concurrent with Thaksin-esque populist reforms and maintaining security while promoting a return to democracy), while attempting to balance military factions, fix gaps in task assignments and complete the enormous number of tasks it has given itself (e.g. defeating the insurgency in the Deep South). In early 2015, rumors of a potential coup attempt abounded given the junta's inability to contain competition among top military officers vying for senior postings.

Thailand has long suffered from endemic corruption at all levels of society. Particular manifestations include bribery, nepotism, conflict of interest and a perversion of the rule of law. However, the country does have institutions designed to combat various types of corruption, including a system of declaring assets and liabilities and an independent anti-corruption agency with numerous powers. The 1997 and 2007 constitutions established several entities designed fully or partly to check corruption. These include the National Anti-Corruption Commission (NACC), the Anti-Money Laundering Organization, the Office of the Ombudsman, the Constitutional Court, the Election Commission and the Human Rights Commission. The work of these entities has resulted in the convictions of Thaksin Shinawatra, his wife, Prime Minister Samak and other members of parliament (mostly belonging to pro-Thaksin political parties) on charges of malfeasance. Meanwhile, four political parties – containing members of parliament – were forced to dissolve due to corruption among

Anti-corruption  
policy  
5

members. Thailand's anti-corruption entities have been accused of exhibiting anti-Thaksin partisanship.

According to the Political and Economic Risk Consultancy (PERC), from 2012 to 2014 Thailand's efficiency in tackling corruption worsened, ranking fourth worst in 2014 among the 16 Asian countries PERC surveyed. In mid-2013, Prime Minister Yingluck launched a new anti-corruption campaign amidst widespread anti-corruption protests. However, her efforts were eclipsed in May 2014, when she was indicted for malfeasance in the rice-pledging scandal.

Following the 2014 military coup (rationalized partly on claims that the Puea Thai government was corrupt), the 2007 constitution was replaced by a 2014 interim charter that insulated the junta from scrutiny by other institutions, including anti-corruption entities. The junta leader announced a war on corruption; indeed, many polls suggested that most Thais in 2015 feel that corruption should perhaps be tasked to the military. Nevertheless, many junta and cabinet members were found to be "unusually wealthy," even though they had been life-long bureaucrats. One of the appointed National Legislative Assembly members who has been exposed to have enormous wealth is the younger brother of the junta leader, Preecha Chan-o-cha. No probes have been conducted into the source of such wealth.

## 16 | Consensus-Building

Although relevant actors agree on the need for monarchical leadership above democracy, in 2015 there continues to be enormous polarization of views on the issue of political transformation, which has been ongoing since 2005. A critical clash revolves around Thaksin Shinawatra. People either admire or despise the ex-prime minister, though there is general acceptance of his populist policies. Most other political conflicts tend to relate to him in one way or another. Constitutionalism has triggered a second conflict. In mid- to late-2013, the pro-Thaksin Puea Thai party attempted to amend the constitution to increase executive and legislative authority, but this move faced resistance from royalist elites and predominantly urban protest groups. A third conflict pertains to whether Thaksin should be amnestied and allowed to participate openly again in Thai politics. In November 2013, a blanket amnesty passed by the Puea Thai-dominated lower house set off prolonged street demonstrations in Bangkok. A fourth issue pertains to the role of Thailand's arch-royalist military. The 2011-2014 Puea Thai coalition, which could never control the military, staged a coup against the government in May 2014. The putsch has pushed forward one new issue above all others, pitting an anti-Thaksin, palace-endorsed military dictatorship in opposition to a democracy in which pro-Thaksin candidates have consistently won most elections. In 2015, anti-Thaksin Thais appear to support democracy, but only if it weakens the Shinawatras and promotes the monarchy and

Consensus on goals

3

military. Given their ability to divide relevant political actors, these conflicts are preventing Thailand from achieving consensus on the goals of political development.

All relevant actors agree on the primacy of a market economy and, since the rise of Thaksin Shinawatra in 2001, there has been a general recognition of the need for social welfare policies. The only conflict in this regard appears to be whether there should be more emphasis on strengthening the market economy or, as championed by the pro-Thaksin Puea Thai party, on enacting more social welfare policies. This clash came to a head in 2013-2014 regarding the Yingluck government's rice-pledging subsidy scheme, which was popular among farmers but despised by economists who saw it as harmful to the overall economy.

During the period 2013-2015, there were several anti-democratic actors in Thailand. These actors included the monarchy, the king's privy council, the military (and other security-related bureaucrats), private sector interests opposed to democratic reform, southern insurgents, and two mob-like sociopolitical groups, the United Front for Democracy Against Dictatorship (UDD) and the People's Democratic Reform Committee (PDRC). Elected civilians have no real control over the monarchy, the Privy Council or the military. The monarchy possesses overwhelming formal and informal political power over all other political institutions. Besides cosigning acts of parliament, the king also has the right to veto laws, pardon offenders, dissolve parliament and enact emergency decrees. The king's political involvement generally takes place behind the scenes. The king's Privy Council stands as another institution outside the control of democratic forces. The council and/or its members often officiate for the monarch. Its chairperson, retired General Prem Tinsulanond, holds significant influence within the armed forces. The military's power was demonstrated in its coups of 2006 and 2014. With regard to anti-democratic private sector interests, the monarchy's Crown Property Bureau (CPB) is majority shareholder in Siam Cement, Christiani and Nielsen, Siam Commercial Bank and other companies and has not been audited. Insurgents in the far south have persistently resorted to violence in their struggle with the Thai military.

Closer to the political mainstream, mob-like gatherings of UDD supporters engaged in violent civil disobedience in 2009 and 2010. The PDRC meanwhile spearheaded violent demonstrations against the Yingluck government in 2013-2014. Its predecessor, the People's Alliance for Democracy (PAD), which shared similar but not identical goals, engaged in violent protests in 2006, 2008 and 2012. The 2014 military putsch ended all demonstrations by all groups. In 2015, as Thailand is under martial law, the only active anti-democratic groups are the military and southern insurgents. Conservative reformers are moving to resurrect democracy in 2016, though the monarchy, privy council and military will continue to overshadow the country.

Anti-democratic  
actors

2



In 2015, Thailand continues to face one deep political cleavage based on geography and class, and a second pertaining to ethnicity and religion. The first sets impoverished rural farmers and others in Thailand's populous north/northeast against urban middle class people, centered mostly in the capital Bangkok. The military, monarchy and metropolitan businesses adhere to this latter position. This cleavage has revolved around support for and against Thaksin Shinawatra, who has championed policies to help the poor.

Cleavage /  
conflict  
management  
2

In November 2013, this cleavage of geography and class was spotlighted when demonstrations in Bangkok by the anti-Thaksin PDRC became violent. The pro-Thaksin UDD meanwhile held counter-demonstrations that almost became violent. The PDRC is mostly based in Bangkok and the Deep South and is generally supported by the middle and upper classes. The UDD, meanwhile, is based in rural areas with the poor forming the bulk of its backers. One rationale for the May 2014 military coup was to clamp down on the chaos caused by six months of pandemonium stemming from the country's political cleavage and restore order. However, the coup leaders themselves have exhibited a disdain for Thaksin, Yingluck and the Puea Thai party. Ultimately, there remains little if any reconciliation between those for and against Thaksin.

With regard to ethnic and religious cleavages, a long-simmering Malay-Muslim insurrection against Thai rule in three Deep South provinces has continued in 2015. In 2013, the Yingluck government initiated negotiations with one insurgent group, but by the end of the year, the talks had stopped. The 2014 military coup ended most hopes that the negotiations would resume, as the armed forces had mostly opposed them. At the time of writing, the insurgency continues unabated. Despite claims by the junta that talks will begin again, in 2015 efforts at peace and reconciliation in the south remain unsuccessful.

During the 2011-2014 Yingluck government, members of the UDD and other pro-Thaksin groups assisted in setting agendas. One UDD leader even sat in her cabinet, but Yingluck's government did not work with anti-Thaksin civil society actors. Anti-Shinawatra groups were initially weak under Yingluck; however, by late 2013 the People's Democratic Reform Committee (PDRC), an anti-Shinawatra successor movement of the PAD, succeeded in wreaking havoc across Bangkok. Ironically, this civil society group facilitated and supported the May 2014 military coup.

Civil society  
participation  
3

Since the putsch, civil society voices have been forcibly restrained. Members of civil society supportive of the junta have been appointed by it to positions in the regime. The junta has allowed some mildly critical input from civil society. For example, Thai Lawyers for Human Rights was permitted to publicly, though gently, suggest an end to martial law, though such recommendations have been ignored. However, in February 2015 one lawyer promoting greater human rights was arrested following

peaceful, anti-coup activities. Overall, civil society participation under the junta is extremely limited.

Thailand's current regime is confronted with several challenges related to political reconciliation. The state has used force against the rebels of the far south Malay-Muslim insurgency, but has also sought to improve the lives in general of Malay-Muslims in the region. The state has meanwhile tended to repress ethnic minorities in the north, viewing them as associated with narcotics smuggling. In terms of historical ethnic, religious and class injustices, Thailand's political leadership has used an ideology constructed around its monarch to shape loyalty to the state.

In elite politics, divisions still exist over former Prime Minister Thaksin Shinawatra. The pro-Thaksin Puea Thai party and the United Front for Democracy Against Dictatorship (UDD) want to return Thaksin to power and bring back the 1997 constitution. The Democrat Party and the anti-Thaksin People's Democratic Reform Committee (PDRC) are vehemently opposed to Thaksin. Following the military's deadly use of force against the UDD in 2010, a Truth and Reconciliation Commission recommended that the military become apolitical; Thaksin withdraw himself from politics; and that there should be more decentralization of power. Another commission suggested that the crisis would dissipate if poor farmers were each given small plots of land. None of these proposals were ever implemented, as politicians on both sides became increasingly mired in partisan division. In November 2013, the Puea Thai party, with a legislative majority, almost succeeded in passing its "reconciliation" bill, which would have amnestied anyone involved in political protests from 2004 to 2013. The bill would have enabled Thaksin to return to politics and also exonerated former Prime Minister Abhisit Vechachiwa from prosecution for his role in the 2010 repression of the army. Many UDD members opposed the bill, but it sparked an avalanche of opposition among Thaksin's detractors, facilitating growing, chaotic gatherings of the PDRC in Bangkok and the South. As PDRC-led protests intensified, demonstrators increasingly used violence and occupied ministries. UDD demonstrations held large gatherings close to Bangkok but away from the PDRC. Nevertheless, by late December 2013, it seemed only a matter of time before the two groups violently collide. By May 2014, there appeared to be no end in sight for the acrimony between Yingluck's caretaker government and the PDRC. Rather, her administration fostered the view that the PDRC was a tool of anti-democratic vested interests while the PDRC implied that Yingluck's administration was a corrupt, anti-democratic and sometimes anti-monarchic regime that must be ousted.

The May 2014 military coup forced the Puea Thai government from office; the subsequent introduction of martial law squelched demonstrations of five or more individuals. In general, the putsch represented reconciliation through repression. The regime has sought to reconcile Thais around 12 core values – a move connected with its "Bring Happiness Back to the People" campaign. The values focus upon

respecting nation, king, religion, parents, Thai nationalism and a “correct understanding of democracy.” Yet this military-imposed reconciliation has merely served to keep Thailand’s need for reconciliation over the issue of the Shinawatrass latent and unresolved. Moreover, shortly after the 2014 coup, there was an attempt by the NCPO to remove the name of Thaksin from Thai history textbooks.

## 17 | International Cooperation

Whether elected or not, Thailand’s political leadership has used international assistance for its own development and political agenda.

During 2013-2014, the Asian Development Bank enacted several projects, including those to strengthen financial transparency in specific financial institutions, advance national financial literacy, implement flood management and pilot public-private cooperation in the social sectors. In November 2014, Thailand signed an agreement with the World Bank for the latter to provide a \$23 million grant to help make Thai air conditioning and foam products more climate-friendly. Also in November 2014, Thailand’s government approved an MOU with China for the construction of a China-financed \$10.6 billion high-speed train project from northeast Thailand to Bangkok and eastern Rayong province.

In the search for reconciliation between the Yingluck government and the UDD on one side and anti-Thaksin protest groups (e.g. the PDRC) on the other, the Yingluck government, in February 2014, asked the United Nations Secretary General to help negotiate. However, the PDRC refused to accept external mediation. In the Deep South, the Yingluck government opened negotiations with one insurgent group through help from the Malaysian government. Thailand also permitted the United States Agency for International Development (USAID) to operate a pro-peace program through civic education and the media. Finally, in November 2013 Thailand accepted the decision of the World Court regarding the territorial jurisdiction of a plot of land 4.6 square kilometers in size along the Thai-Cambodian border. Since the May 2014 coup, the new junta claimed that it would continue to ask for help from Malaysia in the Deep South while continuing to honor the World Court’s 2013 decision.

Though democracy flourished in 2013, the international community had three chief points of concern: that the Thai government could not act as a credible and reliable partner due to six-months of disruptive demonstrations in late 2013-2014; Yingluck’s heavy spending on seemingly corrupt populist policies rather than championing economically conservative programs; and a persistent southern insurgency. The May 2014, a military coup brought mixed reactions from abroad. On one hand, most of the international community did not perceive the overthrow of democracy as a positive development. On the other hand, the coup restored order to the country while

Effective use of support

5

Credibility

6

the junta moved quickly to reassure foreign investors that it would proactively support trade and investment, continue pending agreements with foreign investors and initiate investment-driven, mega-projects.

Thailand is generally perceived as lacking credibility due to a huge shadow economy. Yet in June 2013, the global intergovernmental Financial Action Task Force (FATF) announced that it had completely removed Thailand from the list of countries at risk in global anti-money laundering and terrorism financing. In August 2014, Thailand's Anti-Money Laundering Office (AMLO) proposed amendments to three laws concerning money laundering, with the aim of bringing them up to international standards and preventing money laundering and terrorism more effectively. This occurred as the FATF announced that it would next evaluate Thailand in 2015-2016.

Thailand is involved in a number of regional organizations, including the Association of Southeast Asian Nations (ASEAN), Asia-Pacific Economic Cooperation (APEC), Asia-Europe Meeting (ASEM), ARF (ASEAN Regional Forum), Greater Mekong Subregion (GMS), Bay of Bengal Initiative for Multisectoral Technical and Economic Cooperation (BIMSTEC), and Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy (ACMECS). From 2008 to 2015, there have been periodic violent clashes along the Thai-Cambodia border. These occasional clashes have continued unabated since Thailand's 2014 military coup. From 2012 until 2014, Thai-Myanmar trade grew 15%; Thai-Lao trade increased by almost 50%; and Thai-Cambodia trade was up 28% (despite a border dispute). Free-trade talks between the EU and Thailand were stalled following Thailand's May 2014 coup. Thai-US trade, \$38 billion in 2013, is also projected to diminish in the aftermath of the coup. Finally, in 2013, China replaced Japan as Thailand's principal trading partner. From 2004 to 2015, Thailand has invested in several projects with its ACMECS neighbors. As part of ACMECS, five bridges have been constructed linking Thailand to Laos, the last completed in 2014. In 2015, Cambodia and Thailand moved toward completing a railway linking Bangkok to Phnom Penh as part of ACMECS. Following Thailand's 2014 coup, the junta leader traveled widely, seeking recognition, extradition to Thailand of political fugitives and voicing support for regional integration. The NCPO has been criticized by many international organizations and countries – especially human rights organizations – regarding martial law in Thailand. Critics include the Asian Human Rights Commission, UN Human Rights Council, Human Rights Watch, Amnesty International, the U.S., the EU and Australia. However, the NCPO does not seem responsive to the criticism. In January 2015, Thailand and Myanmar signed an MOU to revive a multi-billion-dollar economic zone in Myanmar's deep-sea port of Dawei. In 2015, Thailand is still studying the U.S.-led Trans-Pacific Partnership.

Regional  
cooperation

6

## Strategic Outlook

During the period from 2013 to 2015, Thailand descended from electoral democracy to dictatorship. The putsch and military junta were endorsed by the palace, established elites, the urban middle class and leading members of the Democrats and smaller political parties. Ruling through martial law, the post-coup military junta has detained and reportedly tortured opponents, disassembled parts of the previous government's populist policies, followed tighter economic monetarism and assured a crucial role for the armed forces over the next few years, during which time Thailand will likely witness monarchical transition. However, military tyranny and repression has only temporarily submerged the decade-long clash between reform-oriented provincial businesspeople, politicians and lower classes on one side and supporters of the status quo, including the monarchy, established elites, urban middle classes and the military on the other. Elections and a return to limited civilian control are only expected in 2016 at the earliest. A regime-appointed committee is drafting a new constitution meant to weaken political parties, the executive and legislature while further strengthening the judiciary.

As Thai contemporary history has shown, any increase in pluralism will not ultimately guarantee political stability. Thai elites distrust democratic institutions as inimical to maintaining their vested interests. But in the long run, for Thailand to achieve pluralism and political stability the military must immediately permit a return to elected civilian control. A democratic system is the fairest method to resolve societal differences. Meanwhile, Thailand's armed forces have the responsibility to protect rather than hinder democracy. With this in mind, the coup-appointed drafters of the constitution should not seek to construct a Thai democracy that weakens parties and the power of elected politicians. Rather, Thailand should return to its 1997 "people's" constitution. In the long run, for Thailand to establish more permanent political stability there will have to be a stable monarchical succession followed by some sort of more permanent accommodation between the two opposing political camps. This will require compromise, though it will be dominated by the elites. The old order must accept the Shinawatra family, pro-poor policies and civilian control over the military. Meanwhile, the Shinawatras must accommodate the traditional elites opposed to them. In addition, the Shinawatra family must avoid proposing policies that could create corruption terrain for politicians. As of 2015, Thais need more civic education based on active participation in democracy and civilian control over the military.

In 2015, the military regime must continue efforts toward stabilizing the baht and guaranteeing greater market stability while also ensuring that pro-poor welfare policies are enacted and effectively implemented. At the same time, the state must maintain its commitment to banking regulations, thus strengthening the banking system in Thailand. Continuing after-effects of the 2014 political turmoil and a slow return to economic growth could stymie Thailand's banking system and capital markets. Economic and social development must remain robust and sustainable.

The military regime's costly mega-infrastructure projects could increase public debt and may be prone to corruption.

Meanwhile, the Malay-Muslim insurgency continues unabated. The Yingluck government's initiation of negotiations with insurgents in 2013 withered away in 2014. Any solution to the insurrection necessitates that the Thai state stop using repression and resume negotiations with insurgent groups while simultaneously granting the three southern provinces greater autonomy and offering southern Malay-Muslim people more programs for economic and social development.