

Thailand

Status Index (Democracy: 3.8 / Market economy: 3.1)		6.9	Management Index		5.7
System of government	Parliamentary democracy		Population	61.6 mill.	
Voter turnout	69.8 % (Parliamentary elections January 2001)		GDP p. c. (\$, PPP)	6,400	
Women in Parliament	9.6 %		Unemployment rate	2.4 % (2000)	
Population growth^a	1.5 %		HDI	0.768	
Largest ethnic minority	0.6 %		UN Education Index	0.88	
			Gini Index	43.2 (2000)	
Data for 2001 – if not indicated otherwise. ^{a)} Annual growth between 1975 and 2001. Source: UN Human Development Report 2003.					

1. Introduction

In October 1997, Thailand adopted its 16th constitution since abolition of the absolute monarchy in 1932. Implemented against strong resistance from conservative forces in politics, the military, and the civil service, the constitution was acclaimed by numerous domestic and foreign observers as a milestone on Thailand's path to democracy under the rule of law. At almost the same time, in the summer of 1997, the country tumbled into a deep monetary, financial, and economic crisis. In its wake, in November 1997 Thailand's House of Representatives (the lower house of parliament) elected a new government under the leadership of Prime Minister Chuan Leekpai (Democrat Party). This government remained in office throughout the House's legislative term—a first for Thailand.

In January 2001, the government was voted out of office. The new prime minister was the billionaire businessman Thaksin Shinawatra of the Thai Rak Thai ("Thai love Thai") party. Like its predecessor, Thaksin Shinawatra's government faced a twofold challenge: first, to consolidate the democratic constitutional order and implement the new constitutional provisions, and second, to implement the economic structural reforms agreed upon with the IMF, in order to lay the foundation for sustained growth of Thailand's economy.

This assessment comes to the conclusion that during the first half of the period under study, clear progress was made in the democratic transformation. In the economic transformation, economic stabilization was achieved and initial structural adjustments were introduced. In view of the difficult economic and

domestic political conditions under which the influential actors had to pursue transformation, this is clearly to be considered a management success. In the second half of the period, starting in 2001, the economic transformation fell stagnant, threatening the advances already made toward stabilization and adjustment. In the democratic transformation, standards already achieved are showing signs of erosion.

2. History and characteristics of transformation

Thailand's democracy has taken shape in a prolonged transformation process marked by frequent interruptions and regressions to autocracy. With the coup of 1932, called a "constitutional revolution," an authoritarian regime dominated by military officers and civil servants replaced the absolute monarchy. As a result of economic and social change, in the 1980s the authoritarian regime took cautious steps toward openness. After bureaucrats successively lost power in the course of the liberalization introduced by Prime Minister Prem (1980-1988), a brief phase of democracy began in 1988. This ended in the spring of 1991 with a coup led by discontented military around General Suchinda.

When Suchinda was appointed prime minister after the quasi-democratic elections of March 1992, civic actors allied with antimilitary parties mobilized days of mass protests in Bangkok. Attempts to suppress the uprising with force rendered Suchinda's position untenable. A short time later, he resigned. As after the February coup of 1991, an interim government was installed to manage the transition, which ended with elections for the House of Representatives in September 1992.

In September 1996 a constitutional convention was called. It drafted a constitution that the National Assembly (in a joint sitting of the lower and upper houses) ratified by a large majority. Remaining true to its constitutional tradition, Thailand maintained a parliamentary system of government within the framework of a limited constitutional monarchy, but expanded its constitutional foundation with numerous new provisions to strengthen individuals' political and civil rights as well as the constitutional state under the rule of law.

Thailand's economic development from an agrarian to an industrial economy, with its accompanying economic and social transformation, took place within a few decades. In essence, three developmental stages can be distinguished: an initial phase of industrialization, primarily by state companies, until the mid-1950s; a second phase of import-substituting development, by private enterprise, until the end of the 1970s; and a third phase of export-oriented industrialization strategy, from the early 1980s to the end of the 1990s.

Although shifts in the economic sectors' share in the gross domestic product induced a rapid restructuring of Thailand's national economy, the employment structure changed much more slowly; as a result, the economic structure at the end of the 1980s was highly asymmetric, with a high proportion of the economic output being generated in the industrial and service sector and a declining but still high proportion of population still employed in the agrarian sector. Although the fundamental economic data maintained a positive trend until the middle of the last decade, and the living conditions for broad segments of the population significantly improved, the existing sectoral imbalances could not be reduced. Granted, the strong growth of the gross domestic product and the accompanying creation of new jobs alleviated this problem. But the definite regional imbalances were not reduced nor was a more uniform participation of all social groups in the economic upturn achieved.

The Asian financial crisis of 1997 hit Thailand's economy hard. After the baht was devalued by 40 %, the IMF agreed to allow the exchange rate to float. The crisis led to the worst recession since the Great Depression, a severe rise in unemployment, and a profound loss of confidence on the part of international investors. This economic and domestic political crisis led to the fall of the Chavalit government. However, it did not drastically shake the Thai population's confidence in the institutions of democracy and a market economy. Efforts to manage the economic crisis, in close cooperation with the IMF, began to yield success in 1999. But many transformation goals remain unrealized.

3. Examination of criteria for democracy and a market economy

3.1 Democracy

In transforming its political regime, Thailand made progress in several evaluated areas by the end of the 1990s. Shortcomings linger primarily in political representation and rule of law. However, some indicators show backsliding since the year 2000, though not (yet) to an extent that threatens the system.

3.1.1 Political organization

(1) *Stateness*: The state monopoly on the use of force is fundamentally in place, though slightly diminished along the border with Burma as well as in the northeastern sections of the country by organized crime, incursions by Burmese security forces and ethnic "militias" allied with them, and locally entrenched political-economic-criminal structures. As a result of successful nation-building policies, the question of which people qualify as citizens is not a politically relevant issue in multiethnic Thailand, except for the Muslim minority. Muslims make up about 3.5 % of the population, concentrated in the southern provinces.

The population gives scant support to the demands of Muslim militants, although tensions between Muslims and Thais have increased since September 11, 2001. The vast majority of citizens have the same civil rights; problematic is the stateless status of members of the hill tribes in the north, who number in the tens of thousands. Thailand considers itself a Buddhist society; the constitution stipulates that the king must be a Buddhist. Other religious communities are not discriminated against; the political process is secularized. An effective administrative system, public safety and order are by and large assured.

(2) *Political participation*: There is universal suffrage. The elected government observes the principles of open and competitive elections. As of the year 2000, the Senate (the upper house of parliament) is also elected by the people. The government has the effective power to govern. However, the new constitution severely limits the right to run for office (candidates must meet education requirements). Elections are free and fair, though tainted to some extent by electoral fraud, the buying of votes, and occasional political pressure. During the period under study, the government has consolidated its civilian control over the armed forces. Nevertheless, the military remains one of the most influential actors on Thailand's domestic political scene. Freedom of opinion and freedom of the press are not limited in a way that influences the democratic process. The same is true of freedom of association and freedom of assembly. Ethnic cleavages play a subordinate role for the dynamics of association in civil society.

(3) *Rule of law*: The constitution prescribes the separation of powers. The judiciary is institutionally well differentiated, workable, and independent. The new constitution considerably strengthened the rule-of-law institutions. However, they do not all work as intended. Trends in the conduct of government in recent years suggest that the new control bodies' significance and powers are eroding, though there is no evidence of a general suspension of judicial oversight and review.

Political and bureaucratic corruption is endemic; the public views fighting corruption as the most urgent problem of good governance. Corruption is prosecuted as a crime, but cabinet members, high-ranking politicians, and their family members or business managers often have de facto immunity. Civil rights are sometimes compromised by the discrepancy between government behavior and legal norms as well as by the authorities' selective application of established law.

3.1.2 Political patterns of behavior and attitudes

(1) *Institutional stability*: Subject to the above reservations about rule of law, democratic institutions are stable. Traditionally, the parliament and government

are splintered by party politics, which considerably hampers the government's institutional efficiency and effectiveness. The administrative system is efficient and stable but suffers from severe corruption and exertion of influence by the political sector.

(2) *Political and social integration:* Problems of institutional efficiency are related to the lack of stable organizational models for representation of political interests. In the 1998–2003 period, it was still not possible for an organizationally stable party system to take firm root in this society. No less than before, the highly fragmented party system is characterized by little ability to form party platforms, almost no anchoring within society, very weak social integration, and strong tendencies to focus on personalities and patronage (money politics). The relevant political parties are predominantly personality-oriented voting organizations with strong local roots but little loyalty on the part of their elected officials, who are prone to party-hopping. The party system is minimally polarized and has a high potential for forming coalitions and governments.

Thailand has a well-differentiated landscape of interest groups, particularly in the NGO sector. The union system is poorly developed, largely disorganized and extremely fragmented. Business associations are better organized and enjoy significant advantages over the unions in promoting their interests. Industrial relations are traditionally seldom subject to regulation.

Beginning at a low, gradually rising level, the differentiation of the civic organizational landscape continues. Civic organizations are quite willing to work cooperatively and strategically. Moreover, they help strengthen democratic attitudes and practices in society. In terms of active participation, however, the heterogeneous network of social organizations is highly concentrated in particular social strata and regions.

Buttressing the progressive dynamics of civic organizations is the fact that by international comparison, Thailand's citizens have a high level of support for or trust in the institutional underpinnings of democracy. The voter turnout of 72.1 % in the Senate elections of March 2000 and 69.8 % in the House elections in January 2001 marked an all-time high, though this was due in part to the compulsory voting introduced in 1997. Human rights violations arising from the use of force by security personnel against protestors demonstrating for democracy in March 1992 have so far not been dealt with either in the courts or in the political arena.

3.2 Market economy

Thailand unquestionably made progress in transforming its economic order during the period under study. Major transformation shortcomings remain in regard to

organizing competition, restoring the health of the banking and capital markets, establishing regional order, setting social and educational policy, developing infrastructure, and promoting sustainable economic development.

3.2.1 Level of socioeconomic development

Thailand ranks high among the group of *middle income countries*. Measured in terms of HDI, the country's development status allows the majority of citizens' adequate freedom of choice. However, a considerable proportion of the population remains excluded from society because of poverty, lack of education, and discrimination based on gender or ethnicity (hill tribes). Throughout the period under study, Thailand failed to reduce its considerable social disparities, poverty, and income disparity (distribution of income is more unequal than in other Asian countries). Rather, the post-1997 crisis management policies led to a significant income drop among lower income groups, greater income inequality, and more poverty. Existing development imbalances between Bangkok and the rest of the country and among the various regions were not reduced.

3.2.2 Market structures and competition

The foundations of a competitive market economy are well established. The dense regulation of the economy has been reduced. Personal and financial interrelationships among politicians, bureaucrats, and entrepreneurs create numerous distortions in the competitive system (crony capitalism). In restructuring the financial system and the business sector, the government repeatedly made ad hoc exceptions to general rules of the game. Application of existing laws governing competition is neither even-handed nor impartial.

Only first steps have been taken toward addressing fundamental problems of the business and financial sector. Foreign trade—with pressure from the IMF and the WTO—has been liberalized. Special regulations exist for certain economic sectors, though not to the previous extent. The restructuring of the banking and financial system was begun, but there are few signs of substantial progress. The banking sector remains heavily burdened by bad debt.

3.2.3 Stability of currency and prices

During the period under study, at first a consistent policy on inflation and the currency was pursued. The government's fiscal and debt policies were oriented

towards stability; short-term foreign debt was reduced; depleted foreign currency reserves have recovered. Toward the end of the period, the picture changed. Statements by the Thaksin government suggest that stability is less of a priority. A controversial personnel policy raised doubts about the government's willingness to reduce the central bank's continuing high dependence on political influence.

3.2.4 Private property

Property rights and property acquisition are adequately defined. The privatization of existing state companies has advanced slowly. A comprehensive privatization plan has yet to be implemented.

3.2.5 Welfare regime

Thailand has only a rudimentary welfare regime. The social security systems are budget-oriented and cover a small percentage of workers. The government's social policy is largely limited to meeting basic needs; the family is the primary source of social security. Efforts have been made in recent years to develop social insurance programs for health care, old age, and unemployment, but these did not suffice to offset the social consequences of the Asian crisis, particularly because some (e.g., the 30-baht health scheme) faced substantial financing problems. In view of demographic and social change, changes in the labor market, and the effects of the Asian crisis, further adjustments will be necessary if social stabilization is to be achieved in the medium term.

An active state labor market policy, as well as state continuing education or integration measures, exists only very minimally. Growth facilitated a drop in unemployment between 1998 and 2002 (first three quarters). However, the official unemployment numbers tell only part of the story, because a high percentage of jobs are informal and underemployment is widespread. Labor-law standards are in place but are often ignored.

3.2.6 Strength of the economy

Macroeconomic fundamentals deteriorated in the wake of the Asian crisis at the start of the period under study, but the Chuan government responded with measures that initially achieved macroeconomic stabilization. The negative world economic situation, but also the unsuccessful policies of the Thaksin government, brought a slowdown in economic development during 2001 and 2002. Economic growth failed to match its potential. Some sources of growth went untapped because the Thaksin administration did not complete its economic and political

reforms; the sluggish world economy also hindered the utilization of growth potential, since the country's growth model was primarily export-oriented. The performance of other macroeconomic data, after a recent recovery, has also been only moderately positive.

3.2.7 Sustainability

Efforts have been made in recent years to expand the state social policy—above all health care and anti-poverty measures. Social and economic disadvantages in effect limit equal opportunity and equal access to public services. There are hardly any mechanisms to assist with the advancement of women, persons with disabilities, or the socially vulnerable. Women are clearly disadvantaged regarding access to post-secondary education, to income, and to public office. Environmental awareness in society at large and among lawmakers is slight, though it has been raised in recent years by the activity of NGOs. Environmental concerns are often subordinated to growth considerations.

Thailand has a well-developed state system of primary and secondary education. By contrast, the university system is inadequate and plagued with serious quality shortcomings. The state's expenditures for education for the years 1995–1997 averaged 4.8 % of the gross national product; in the year 2000, they represented 19.3 % of the central government's total expenditures. The average expenditures for research and development in 1990–2000 amounted to a mere 0.1 % of the GNP. The repercussions of the Asian crisis brought infrastructure development to a halt. Furthermore, state infrastructure projects suffer from extremely tedious planning phases and from corruption, which often prevents the completion of important projects or greatly increases their costs. As a result, significant deficiencies in infrastructure development persist.

4. Trend

(1) *Democracy.* With the adoption of the 16th Constitution (1997) and the implementation of many new constitutional provisions, the institutional infrastructure for democracy and rule of law was clearly and significantly expanded during the period of study. However, there was no de facto improvement in the existing shortcomings with respect to an assured state monopoly on the use of force, a properly functioning administrative system, and the effective rule of law. The same is true for the indicator for elections. By all accounts, the elections of 2001 were the “dirtiest” in many years.

The government's dealings in parliament and in the cabinet have grown more efficient, not least because of the "corrected" majority status after the TRT's resounding electoral victory in January 2001. But its efficiency is still low. Also low is the stability of many recently introduced constitutional institutions. More and more often—even from the highest government offices—their competences are called into question. Progressive tendencies are apparent in citizens' options for organizing, the free activity of social organizations, and freedom of opinion and of the press. However, shortcomings persist. The enforceability of civil rights advanced.

The battle against corruption has stalled; during the second half of the period of study—not least because of the government's inconsistent posture—the perception of corruption has risen again among domestic and foreign observers. The parties have made no progress toward political and social integration. Efforts to develop cooperative and consensus-oriented patterns of interaction between labor and capital associations have languished. The landscape of civic interest groups and organizations shows sustained positive development, though weaknesses exist in terms of the breadth of citizen participation.

(2) *Market economy:* The fundamental development indicators show a slight decline in the level of social development for the period of the study. This applies to indicators like the HDI and the Gini index, while the course of the per capita GDP indicates a slight stabilization of economic development.

The institutional environment for market-economy action has improved slightly over 1998. However, considerable deficiencies still remain in the organization of the economy and competition. The momentum for reform slowed quite significantly during the period under study. Measured in terms of macroeconomic data, economic development also lost substantial momentum. In view of the crisis conditions at the start of the period, the data for the years 1999 and 2000 reveal that the state adjustment and stability policy was quite successful. This trend was reversed in the past two years, as the unsatisfactory course of key macroeconomic indicators demonstrates. In the short term, economic development is not expected to take a turn for the worse.

Table: Development of socioeconomic indicators of modernization

	HDI	GDI	GDP index	UN Education Index	Political representation of women ^a	GDP p.c. (\$, PPP)
1998	0.745	0.741	0.67	0.84	n. a.	5.456
2000	0.604	0,760	0.69	0.84	9.6	6.402

^a Percentage of women delegates in parliament after 2001 elections.

Sources: UNDP, Human Development Report, various years; Asian Development Bank, Key Indicators of Developing Asian and Pacific Countries, various years [http://www.adb.org/Documents/Books/Key_Indicators/, accessed Feb 6, 2003].

Table: Development of macroeconomic fundamentals (1998-2002)

	1998	1999	2000	2001	2002
Growth of GDP in %	-10.5	4.4	4.6	1.9	n.a.
Export growth in %	-6.7	7.4	19.5	-6.9	5.8 (1 st quarter)
Import growth in %	-33.7	16.9	31.3	-2.8	4.6 (1 st quarter)
Inflation in % (CPI)	8.1	0.3	1.6	1.6	0.7 (1 st quarter)
Unemployment in %	3.4	3.0	2.4	2.6	2.9 (1 st -3 rd quarter)
Budget deficit in % of GDP	-2.5	-2.8	-2.4	-2.1	n.a.
Current account balance in billion \$	14.2	12.4	9.3	6.2	4.7 (1 st -3 rd quarter)

Source: Asian Development Bank, Key Indicators of Developing Asian and Pacific Countries 2002 [http://www.adb.org/Documents/Books/Key_Indicators/2002/, accessed 06/02/2003]; Bank of Thailand [http://www.bot.or.th, accessed Feb 6, 2003].

5. Transformation management

5.1 Level of difficulty

The Asian crisis; a poor regional environment for maintaining an export-oriented industrialization strategy; the regional concentration of development in a few centers, with significantly less development in the poor peripheral areas; sectoral and social imbalances; inefficient state administration; corruption; money politics; organized crime; and a discredited party system offered unfavorable conditions for continuing transformation at the start of the period.

Also impeding the course toward a deep and stable democratic transformation were the country's scant previous experience of civil society, democracy and the rule of law; the ambivalent role of the military; and hostility to reform on the part of government officials. Thus, the pursuit of transformation in the period 1998–2003 took place under conditions of economic crisis in a democracy whose

outlines were established but which was still unconsolidated and beset with serious shortcomings.

5.2 Reliable pursuit of goals

In the first half of the period under study, Thailand by and large pursued its strategy for economic and democratic transformation resolutely and with clearly set strategic priorities, though it fell short of success in some areas. Basically, the government was concerned with reassuring the expectations of domestic and foreign business players, and coordinating individual macroeconomic targets with one another. In general, the key decision-makers remained committed to the transformation goal of a consolidated market-based democracy. At home and abroad, Prime Minister Chuan Leekpai personally stood—at least initially—for rejection of the “buffet cabinet” and money politics of previous administrations.

Unlike its predecessors, this government clearly was committed to the course of reform and had a long-term reform strategy, although that strategy’s political goals had been formulated without the full participation of social groups and organizations and were not transparently communicated. In the area of democratic transformation, the government’s major accomplishment was its supportive implementation of the new constitutional provisions to strengthen the constitutional state under the rule of law. Particularly in bringing the military under civilian control, the government acted prudently and effectively. But during this phase too, attempts to curb corruption, the bureaucracy’s arbitrary use of power, and money politics were not effective.

Developments in the second half of the period under study were quite different. No coherent transformation strategy is evident in economic reform, in competition policy reform, in the restructuring of the banking and financial sector, or in foreign trade policy. As a result of various statements and measures on the part of the Thaksin government, international and domestic actors have lost confidence in its will for reform. The administration’s market-economy transformation strategy features surprising changes of course. Short-term strategies oriented around self-interest and retention of power have come to dominate over the considerations of a medium- to long-term policy of expanding democracy.

5.3 Effective use of resources

The government’s use of available personnel and organizational resources to pursue its transformation policy is only somewhat effective. Shortcomings are

evident mainly in restoring the health of the financial market and banking sector, as well as in reforming the bureaucracy and strengthening the rule of law. The use of public funds in support of bad loans, troubled banks, and businesses facing insolvency, in structural programs for rural development, and in expanding social insurance is both inefficient and ineffectual. On the whole, public services are adequate to support further economic development. However, real progress has so far been thwarted by the continued existence of close ties among the political and economic elite, extending into the highest circles of government. The provision of state social services is seriously inadequate.

The institutional climate for a successful anticorruption policy has improved considerably since 1997/98. On the other hand, recent years have brought setbacks, chiefly evident in an open power struggle between the government and its coalition parties as well as the National Counter Corruption Commission. Existing rules have more often been applied with partiality or not at all. Available cultural resources, such as the society's strong willingness to take personal responsibility and organize on its own, have been used.

But resorting to established cultural and social traditions was by no means an unmitigated advantage for economic and political transformation, since it also entailed tendencies toward hierarchical thinking, nepotism, use of the law as a tool for special interests, and only embryonic readiness to assume political responsibility and long-term processes of consensus building. Responsibility for this lies not with the government alone, but with all those who wield influence in the political and economic arenas.

5.4 Governance capability

Until 2001, control and management of the democratic transformation was astute. At the least, an effort was made to set the necessary economic structural adjustments in motion. After that, there is no evidence of an effective economic policy or even a coherent democratic transformation strategy. Apparently even the shock of the 1997 collapse did not provide the impetus needed to effectively eliminate structural deficiencies and to make painful inroads into the political and economic elite's network of interests. Particularly the administration in office engaged in populist politics even during the election, appealing to "national" values and traditions and pointing the finger of blame at foreign actors.

While the heterogeneous composition of the governing coalition made it difficult to manage the transformation to democracy and a market economy efficiently even before 2001, the question for 2001 and 2002 is how much the government cares about transformation at all.

The programs adopted are anchored weakly, if at all, in the administrative system and in society, raising doubts about whether the reform process can continue. Overall, the political actors show little willingness to learn about economic transformation. The management of the democratic transformation earned good marks at first but deteriorated after the government changed hands in 2001. The slow but steady spread of democratic standards already achieved now threatens to recede; an example is civilian control of the military. Many indications suggest that the government is increasingly using the military as a tool to secure personal claims to power. As the first successful steps toward professionalizing the armed forces falter, the path threatens to turn back to a renewed politicization.

5.5 Consensus-building

The Asian crisis brought pressure for reform that initially fostered the birth of a broad reform coalition in politics and society. The most visible results were the inauguration of a new government under Prime Minister Chuan Leekpai and the adoption of a new constitution in late 1997. At first, the government could rely on society to endorse its tough economic reform measures. Steps to implement the new constitution met broad support. Although even now no influential actor is in sight who would openly and fundamentally question the reform goal of a market-based democracy, the actual will for reform varies widely.

The military, the civil service, corporations, and components of the party system can in effect block the market-economy reform process via their strategic positioning in the political system, their de facto political or economic power, or their representatives in the government and parliament. But all this remains within limits that are (still) allowable in democracies. The policy of throwing up blockades has significantly slowed the pace of reform; clearly, in the first years of the period under study it was not possible to create a viable consensus for transformation in society and among the elite that could cushion and support the transformation process beyond the immediate “shock phase” of the Asian crisis.

The flaws in the electoral and party system as well as the elite’s scant commitment to the rule of law, transparency, and responsible political behavior, at the same time that individual living conditions deteriorated for broad segments of the population, including the middle class, shook the population’s confidence in the government’s path to reform. As a result, large segments of the electorate turned to the populist promises of “strong personalities” like Thaksin Shinawatra. Since then, cooperative strategies, realistic standards for success, and credible timelines have given way to a confrontational political style and populist promises.

In the meantime, the reform process appears largely to have come to a standstill, particularly because the politically influential players were unable to moderate the

intensity of the existing political and social conflicts. Nevertheless, these conflicts do not threaten the cohesion of state and society.

5.6 International cooperation

The economic stabilization following the collapse of 1997/98 and the introduction of the first structural reforms at the end of the 1990s would have been inconceivable without close cooperation with outside actors (IMF, Asian Development Bank, World Bank). Indeed, the Chuan Leekpai government's crisis management strategy depended on close coordination of its reforms with the International Monetary Fund, and the government was more than willing to comply fully with the conditions set by international actors and to effectively utilize the resources they provided. Economic calm could hardly have been achieved without the cooperation offered by these outside actors as well as the Chuan administration's credibly communicated readiness to cooperate.

In the debate over the universality of human rights, the rule of law, and democracy, Thailand so far does not officially support the thesis of the so-called "Asian values." As a founding member of ASEAN and other regional groups such as APEC, ASEM and ARF, Thailand works toward stronger regional cooperation; the country is quite open to regional collaboration. Thailand has taken in a large number of refugees from Burma, though their treatment is criticized by human rights organizations. Thailand actively campaigns for the economic and political integration of Indochina into the region as well as for dialogue with the military regime in Burma.

On the other hand, various personnel decisions by the Thaksin government suggest that in future, the military should again be allotted a special role in policies towards Burma. The willingness to meet IMF conditions, which was relatively high until the end of the 1990s, has waned in the face of the inadequate response to the social effects of the financial crisis, as well as the adjustment measures in the course of cooperation with the IMF and the World Bank. The confidence of foreign investors, which had recovered for a time, has again been severely jeopardized by the government's tentative and incoherent action and populist rhetoric.

The role of external actors in the democratic transformation process during the period under study is negligible.

6. Overall evaluation

This assessment arrives at the following concluding evaluations:

(1) *Originating conditions:* Overall, the starting conditions for transformation were difficult. The country had functional market-economy structures and an effective state bureaucracy even before the observation period. State and nation building had been successfully accomplished. In regard to the democratic transformation, all this was countered by the lack of traditions in the rule of law, civil society, and democracy, by the persistence of money politics, and by corruption in the government and the bureaucracy.

The economic starting conditions were poor in 1998 because of the Asian crisis. Between 1998 and 2003, the transformation proceeded as a combination of economic crisis management and a broadening democratic transformation. The power constellation of “old regime versus democratic opposition” was broken up early on. In its place, there arose the “normal condition” for democracy, with a government loyal to democracy and an opposition loyal to the system.

(2) *Current status and evolution:* Despite initial successes, the democratic transformation gained less ground than had been expected at first. The political decision-makers were unable to qualitatively broaden democratic transformation. Despite isolated successes with the implementation of new constitutional provisions, the overall course of consolidation is stagnant or at best advancing very slowly, with significant shortcomings. There are no evident internal threats to democracy, despite some backsliding in comparison to the starting year 1997/98.

Transformation toward a market economy has not advanced much further. True, the political decision-makers were able to stabilize macroeconomic development; but more extensive meaningful structural adjustments were only tentatively approached, were delayed, or have not (yet) shown positive effects.

(3) *Management:* The verdict on the players’ relative management performance is ambivalent. Compared to the period before, the economic transformation process picked up speed, showed greater promise, and gained reliability in achieving goals during the first half of the period under study. However, the management strategies for organizing a broad pro-democracy consensus in society, negotiating economic reform measures for macroeconomic stabilization, and cooperating with outside actors could not be solidified.

As early as midway through the assessment period, weak management of domestic reforms and uncertain outcomes of reforms to the political order outweighed the successes of transformation management. The economic transformation to a workable social market economy is by no means complete. Most recently, the government’s actions have been unpredictable, poorly communicated, and unreliable in achieving goals; as a result, the balance sheet for transformation to democracy and a market economy has deteriorated again.

7. Outlook

The verdict on the economic and democratic transformation in the last five years is ambivalent. In absolute terms, gains can be observed since the year 1997. In comparison to the first half of the period, the economic transformation and the broadening of democracy have lost purposefulness, pace, and promise.

The assessments in this report underscore many observers' estimation that Thailand's transformation has come to a halt and is essentially incomplete. The successes and failures of the transformation can be attributed quite substantially to the performance of "internal" actors. The key strategic tasks for democratic and market-economy reforms over the medium term lie in consolidating the rule of law, stabilizing democratic patterns of representation and attitudes, continuing to reform the existing organization of the market and competition, and assuring that economic development is sustainable and embedded in the social state.

At present, it seems unlikely that the country will regress to authoritarianism or turn from its chosen path of market-economy transformation, not least because alternatives are lacking. Seen in perspective, the most likely development scenario appears to be the stagnation of Thailand's transformation process.