

BTI 2010 | Thailand Country Report

Status Index	1-10	5.84	# 59 of 128	
Democracy	1-10	5.35	# 69 of 128	➔
Market Economy	1-10	6.32	# 46 of 128	⬇️
Management Index	1-10	4.58	# 76 of 128	

scale: 1 (lowest) to 10 (highest) score rank trend

This report is part of the Transformation Index (BTI) 2010. The BTI is a global ranking of transition processes in which the state of democracy and market economic systems as well as the quality of political management in 128 transformation and developing countries are evaluated.

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Key Indicators

Population	mn.	67.0	HDI	0.78	GDP p.c.	\$	7394
Pop. growth	% p.a.	0.7	HDI rank of 182	87	Gini Index		42.4
Life expectancy	years	69	UN Education Index	0.89	Poverty ²	%	11.5
Urban population	%	33.0	Gender equality ¹	0.51	Aid per capita	\$	-4.9

Sources: UNDP, Human Development Report 2009 | The World Bank, World Development Indicators 2009.

Footnotes: (1) Gender Empowerment Measure (GEM). (2) Percentage of population living on less than \$2 a day.

Executive Summary

The period under review commenced with continued military dictatorship in January 2007. During 2007, a new constitution was written which weakened political parties. Moreover, courts dissolved former Prime Minister Thaksin Shinawatra's Thai Rak Thai (TRT) party (banning its executives for five years). However, rising discontent with the military, unpopular economic policies, and bureaucratic lethargy combined to ensure an election victory in December 2007 for the People's Power Party (PPP, a clone of TRT). PPP formed a coalition with minor parties under Samak Sundaravej. Samak attempted to roll back parts of the military-imposed constitution. Meanwhile, courts found Thaksin and his wife guilty of crimes related to corruption. In 2008, People's Alliance for Democracy (PAD) demonstrators (including royalists and progressives opposed to Thaksin) protested against the Samak government for corruption and treason. Eventually the PAD captured Government House (which holds the offices of the prime minister and cabinet) with the army unwilling and the police apparently unable to intervene. Meanwhile, a court found Samak guilty of illegally receiving money for appearing on a cooking show, forcing him to resign. The PPP regrouped under successor Prime Minister Somchai Wongsawat. Somchai continued pressing for constitutional changes. The PAD, now well-funded, armed, and active across Bangkok, tried but failed to prevent Somchai from officially becoming prime minister by obstructing parliament. In rural areas, a pro-Thaksin alliance known as the UDD (United Front of Democracy against Dictatorship) had already begun to form. In November 2008, the level of violence grew dramatically. The PAD captured Thailand's two major airports. The army stood idly by, refusing to quell the PAD's activities. Eventually, Prime Minister Somchai fled Bangkok. Thailand's government seemed close to a standstill, and foreign investors became jittery. In early December, in the midst of the crisis, the Constitutional Court dissolved the PPP and two other parties, forcing Somchai to resign. Thereupon, the PAD dispersed, abandoning their anti-government campaign. Two weeks later, the opposition Democrats successfully cobbled together a coalition with minor parties and a renegade PPP faction, and by January 2009, an uneasy lull had settled upon the country. The

crisis affected an already deteriorating economy. Meanwhile, Thai-Cambodian border tensions and a southern Malay-Muslim insurgency continued unabated.

Thailand today is moving toward a deeper degree of tutelary democracy (a form of defective democracy) given that non-elected societal actors (the monarchy, the Privy Council and the military) are increasingly exerting veto power over popularly elected representatives' effective power to govern.

History and Characteristics of Transformation

Since the end of absolute monarchy in 1932, Thailand has experienced 12 successful coups, 18 constitutions, and five transitions to various forms of civilian democracy. A vicious cycle of coups, new constitutions, fragile democratic eras, and renewed coups seems to have overshadowed Thailand's contemporary history. As such, political parties, weakly cohering, have only slowly evolved. Paralleling such political instability has been the growth of civil society, including burgeoning non-governmental organizations, rising societal involvement by academics, and an increasingly free press. From 1986 to 1996, the country experienced annual double-digit economic growth rates. Export-oriented industrialization, cheap labor, and attractive portfolio investment laws helped to accelerate Thailand's growth. However, the 1997 financial crisis plunged Thailand into a deep economic morass from which it has yet to fully recover.

The economic calamity was especially hard on Thailand's rural poor. Through the use of populist appeals to these masses, a slick advertising campaign, and enormous sums of money, Thaksin Shinawatra was elected prime minister in a 2001 landslide election victory. His popularity was heightened when he actually delivered the promised reforms. These policies (and his money) ensured the continued draw and domination of Thaksin's Thai Rak Thai (TRT) party over Thai electoral politics.

In office Thaksin benefited from the 1997 constitution, which increased the power of party leaders over intra-party factions and boosted the clout of prime ministers in comparison to parliament. Moreover, Thaksin merged four other parties into Thai Rak Thai, building a formidable party apparatus, while the much smaller Democrat Party assumed the role of parliamentary opposition. He also managed to stack the executive boards of governmental monitoring agencies (such as the Constitutional Court and Election Commission) with individuals sympathetic to him, and dominated the Senate.

Under Thaksin's first administration (2001 – 2005), Thailand's economy improved markedly, while the state appeared to be improving the lives of more Thais than ever before. Thailand moved from being a debtor to a donor nation. Ultimately, Thaksin was the first prime minister to

complete an entire term of office, and was overwhelmingly reelected prime minister in 2005.

However, Thaksin abused power insofar as he destroyed the country's checks and balances, which led to a very low level of horizontal accountability. This situation stimulated the creation of a somewhat unlikely alliance of different groups (i.e., royalists, activists, military, academics, and businesses who were affected by Thaksin's policies). Indeed, political parties, the military, civil society, and the Thai populace in general became increasingly polarized by the Thaksin "phenomenon." His opponents charged that, even though Thaksin had been duly elected, he was running roughshod over the rule of law. Others pointed to Thaksin's political manipulation of leadership changes in the armed forces, and his alleged challenges to Privy Council Chairman Prem Tinsulanonda and even to the palace. In late 2005, an anti-Thaksin movement of rights activists and royalists (the PAD) began demonstrating against Thaksin.

In January 2006, PAD protests heightened following Thaksin's suspicious tax-free sale of his company to Singapore. Thereupon, to demonstrate his popular mandate, Thaksin dissolved the House of Representatives and called new elections for April. However, the refusal of all parties with parliamentary seats to compete (except for Thai Rak Thai), apparent malfeasance by Thai Rak Thai and the Election Commission, as well as a demand by the king for all judges to "do their duty," caused the judiciary to void the election.

In September 2006, then-caretaker Prime Minister Thaksin was toppled by a military coup and forced into exile. The coup leadership, under General Sondhi Boonyaratklin, appointed General Surayud Chulanondh to head an interim government, during which the promulgation of a new constitution began and malfeasance trials commenced against Thaksin and Thai Rak Thai. The goal seemed to be to subdue Thaksin and others like him who might challenge Thailand's ruling order. During this time, political parties were outlawed and political gatherings forbidden. Meanwhile, the government announced a general election for December 2007.

Transformation Status

I. Democracy

1 | Stateness

The state's monopoly on the use of force is formally institutionalized under the king as head of state (presiding over the armed forces) and the prime minister as head of government. Enormous fissures exist within Thailand's administrative structures, such that the monolithic instrumentation of military capacities is never guaranteed. Indeed, the army, navy, air force, and police occasionally fail to respond to calls to arms by the prime minister. Sometimes, one of these bodies disagrees with another over a commitment of force. The king has his own royal guard, which answers to him alone. Though all the military services are loyal to the monarch, the king remains only informally involved in political affairs. Thailand's Border Police, Volunteer Defense Corps, and Paramilitary Rangers are separate, independent units. Far away from the center of power, they monopolize force along the frontier and often escape the scrutiny of central authorities. In addition, there are ethnic militias informally situated inside of Thailand which are at war with Myanmar's government. In the far south, Malay-Muslim extremist insurgents are battling the Thai Army. In a non-military context, two diametrically opposed mobs have recently sought to put pressure on Thai politics, both using violence. The first is the PAD, whose members don yellow shirts. The second is the pro-Thaksin UDD, whose members wear red shirts. Finally, mafias have access to force.

Monopoly on the use of force

Thailand's national identity office has promoted national identity under the pillars of nation, religion, Thai language, and monarchy. The idea has been to maintain an idea of "Thainess" as inherent in the Buddhist kingdom. However the state's ambiguous borders, minority ethnicities and religions, tangled citizenship process, and ingrained habits of discrimination have created challenges. Along border areas, Cambodians, Burmese, Lao, Malay and other minority peoples suffer from discrimination and harassment. Migrant workers (estimated to number in the millions), and especially women, face wage discrimination and job harassment. In 2005, a Freedom House report estimated that close to half of Thailand's northern ethnic ("hill-tribe") peoples lack citizenship. The Thai government does not allow

State identity

hill-tribe populations to establish Thai citizenship by birth, refuses to help hill-tribe children learn their mother tongue, and has evicted many hill-tribes from forested areas to make way for national parks. In the south, attempts at “Thaification” have led to over 100 years of violence between southern Thai Malay Muslims and the government. The current insurgency has resulted in more than 3000 deaths. Though insurgents are a minority, state authorities have shown prejudice toward the entire southern Malay-Muslim population, and spiraling distrust has caused increasing numbers of this group to question state legitimacy. The Thai government has refused to implement the proposals of its own National Reconciliation Commission for the South, which included the establishment of Malay as a working language, and the institution of greater regional autonomy.

The 2007 constitution mandates that discrimination on the grounds of religious beliefs is not permitted. The charter also stipulates that the king must be a Buddhist, though also an upholder of religions. Symbols of Thailand’s Buddhist king adorn virtually every home, business, or institution. The only national religious holidays are Buddhist. The government limits the number of foreign missionaries allowed into the country and requires religious organizations to register with the government. The Buddhist religious leadership exerts enormous influence across the country. State authorities have been accused of intimidating private Malay-Muslim schools in the far south.

No interference of religious dogmas

A single verticalized bureaucracy is present across Thailand. It has been known to be slow in fulfilling its functions and has sometimes been corrupt. Election of village leaders has occurred since 1897. However, only after reforms in 1994 did Thailand begin to see three tiers of elected administration: sub-district, city, and provincial levels. This improved the quality of services at the local level, but insufficient budgets continue to be a problem. The Thaksin government streamlined the structure of the various ministries in 2003, seeking to improve efficiency and save money. Since the 2006 coup, administrative operations diminished in quality.

Basic administration

2 | Political Participation

The 2007 constitution allows for universal suffrage. However, Buddhist monks cannot (and would not) vote, and the voting rights of some hill-tribe peoples are constrained by the lack of citizenship papers. The previous 1997 constitution set up an electoral system which established 400 single-member district (SMD) seats combined with 100 closed party list (PL) seats. The 2007 constitution, however, changed the system to include 400 multi-member district (MMD) seats, along with 80 closed party list seats, drawn from 8 districts of 10 seats apiece. Voters now had multiple votes, which, under the MMD system, compelled candidates from the same party to compete against each other. Through gerrymandering, the eight districts have diminished the voting strength essential to gaining seats for large parties such

Free and fair elections

as TRT in 2001 – 2006. The December 2007 election was overseen by a military government and the Asian Network for Free Elections (ANFREL) election watchdog group reported that soldiers intimidated the pro-Thaksin People's Power Party (PPP). There was also state domination of the media and large-scale vote buying by those for and against the military. Nevertheless, the election resulted in a resounding victory for PPP. The 2007 constitution also transformed the Senate. It shrank from 200 seats to 150, and went from being fully elected (under the 1997 constitution) to a body with 76 elected senators and the remaining 74 appointed. The new half-democratic Senate, representing a decline in Thai pluralism, took office in March 2008.

Though the Thai government formally has the effective power to govern, there are significant veto powers and political enclaves which inhibit government performance. The royal family and the Privy Council represent the principal domains standing apart from government control. Following the 2006 – 2008 military government, the prime minister no longer wields ultimate control over the annual appointments of senior military officials. Instead, a council of seven (which includes the prime minister) decides. While the prime minister can fire military officials, he runs the risk of a military coup d'état in doing so. During 2008, on several occasions, the prime minister asked the army to quell anti-government demonstrations (including the takeovers of Government House and two international airports) but the army refused. Meanwhile, Thailand's popular royal family has inordinate power over the entire country. The king can veto any law, dissolve parliament, and must endorse all legislation. Indeed the royal family is above the law. As such, no elected government has ever dared to directly challenge the royal family (perhaps except Thaksin). Members of the king's Privy Council also enjoy political enclaves of influence. The promulgation of the 2007 constitution gave the judiciary and government monitoring bodies much more expansive veto powers. Furthermore, oversight over the executive has grown while the prime minister's foreign policy authority has diminished. The result has been successful legal cases against former Prime Minister Thaksin Shinawatra and his wife, Prime Minister Samak Sundaravej, and three political parties in 2008 alone.

Effective power to govern

In the run-up to the 2007 general election, the military cancelled its orders banning gatherings of more than five people, and once again legalized meetings of political parties. Sections 63-65 of the 2007 constitution formally allow for the freedom of assembly without arms. Under the latest charter, the number of names required for a popular petition to the government has dropped from 50,000 to 20,000. Any groups are allowed to form, including NGOs, though they must be registered, must not be immoral, and can not create economic monopoly. Political parties are allowed to form if they accept a democratic form of government under the king as head of state. A questionable aspect of the 2007 constitution (relating to assembly rights) states that when a party executive engages in electoral irregularities, the entire party

Association / assembly rights

can be dissolved and all executives banned from politics for five years. Though the 2007 constitution may appear to have increased assembly rights in some ways, the government can still use “security” pretexts to quell unwanted demonstrations. Aside from the constitution, the state can be criticized for often having failed to enforce the law when it comes to freedom of assembly. The right of assembly was often eclipsed by alleged security issues, resulting in the dispersal of demonstrators. For example, ethnic minority assemblages have been quashed by the military. Likewise, NGOs seen as inimical to pariah states such as Myanmar (an ally of Thailand) have been harassed by the Thai government. At other times, when demonstrators have been physically beaten by opponents, the Thai state has done nothing to protect those demonstrating.

Despite the return to electoral democracy in Thailand, Freedom House continues to rate the country as only partly free in terms of freedom of the press. Still, it made a positive move from a rank of 59 in 2007 to 56 in 2008. In 2007, the military oversaw passage of a very restrictive Internet crime law (establishing five-year prison sentences for false publication) as well as continued controls over the state-run broadcasting sector and the media in general. At the same time a new National Security Act allowed the Internal Security Operations Command (ISOC) to suspend press freedom in the case of “new forms of threats.” The media also continued to be challenged by harsh defamation and *lèse majesté* laws. On the bright side, the 2007 constitution expanded on press freedoms already offered by the 1997 constitution. But in 2008, former Prime Minister Anand Panyarachun asserted that 40% of all media outlets were independent, while the rest were controlled by the state. The independent Asia Satellite Television (ASTV) bombarded the airwaves with anti-Thaksin rhetoric, but seemed a threat to future press freedom given its call for scaling back democracy in Thailand. In August 2008, allies of ASTV (the PAD) violently stormed and took over the offices of the government-owned National Broadcasting Television, a move criticized by local and international journalist groups. During the December 2008 violence in Bangkok, the pro-Thaksin PAD and anti-Thaksin UDD harassed and intimidated various reporters. These attacks led to harsh criticism from the Committee to Protect Journalists. Other extralegal challenges to the media included the 2008 murder of a journalist working for Matichon newspaper, who had been reporting on corruption.

Freedom of
expression

The structure of the country’s media sector is today one of the most developed in Asia. Despite censorship, a plethora of opinions continue to be offered. This diversity includes broadcast media, Internet forums, newspapers, and radio broadcasts. Pro- and anti-Thaksin views are published or broadcast, as are diverse opinions relating to the insurgency in the south, hill tribes in the north, and Thailand’s relations with other countries. A controversy was recently sparked by the posting of allegedly insulting images of Thailand’s revered king in the form of YouTube video clips, followed by the state’s temporarily blocking access to the

site. Since the fall of the PPP-led coalition government in December 2008, media censorship again has increased and the use of *lèse-majesté* charges has greatly intensified.

3 | Rule of Law

There was no separation of powers under the military-installed interim government of Surayud Chulanond (2006 – 2008). The military-imposed 2007 constitution enhanced the authority of the judiciary to act as a check on the executive and legislative branches. In early 2008, as the elected government of PPP stalwart Samak Sundaravej came to office, checks and balances became quite emphatic. Most of the heads of the judicial and independent monitoring agencies had been indirectly chosen by the anti-Thaksin military government. But the elected PPP administration was staunchly pro-Thaksin, and vehemently opposed to Privy Council Chairman Prem Tinsulanond. Meanwhile the PPP built a two-thirds majority ruling coalition in the House of Representatives. This separation of powers was demonstrated in 2008 as the courts accepted cases prosecuting members of the administration, while the government sought both to cut off funds for these investigations and to amend the constitution in a way that would stop the cases altogether. The eventual fall of the PPP government was due to a court decision dissolving the party.

Separation of
powers

Under the military government, courts and independent bodies – including the Constitutional Court, the Supreme Court, the Administrative Court, the National Counter-Corruption Commission, the Election Commission, and the National Human Rights Commission – were given more power. In addition, the Assets Examination Committee (AEC) was established. The manner by which the heads of these organizations were appointed was changed to give the executive much less control over the process, while the AEC heads were selected by the military-created National Legislative Assembly. In 2008, almost every case brought before these bodies involving Thaksin or the PPP resulted in judgments against the defendants. Though the anti-Thaksin Democrat party was twice indicted on charges of illegal behavior (which would thus warrant dissolution), the courts did not ultimately find the party guilty. This continuing pattern of anti-Thaksin judicial decision-making suggests that Thailand's court system is perhaps neither neutral nor independent of the powerful forces seeking to destroy Thaksin and his allies. Aside from political cases, the judiciary remains well-differentiated and independent, though bribery allegations do occur.

Independent
judiciary

Following the enactment of the 2007 constitution and the strengthening (or establishment) of various courts and monitoring bodies, scrutiny of officeholders grew precipitously. Following evidence of malfeasance, the Thai Rak Thai party was dissolved by the Constitutional Court in May 2007, and its executives banned

Prosecution of
office abuse

from politics for five years. After the 2007 general election, the Election Commission disqualified several members of parliament, forcing new elections in certain districts. The conviction of a PPP legislator (who was also a party executive) on electoral malfeasance charges led to the dissolution of the PPP in December 2008. The same fate befell two other parties. The executives of these parties were banned from politics for five years. In 2008, Pojaman Shinawatra, wife of the former prime minister, was found guilty of tax evasion, while her husband was later convicted of conflict of interest. Prime Minister Samak was found guilty of taking a small sum of money in return for hosting a cooking show, and was forced to resign. In 2009, the courts were continuing to pursue cases against former Prime Minister Somchai and other politicians. In sum, these events showed that prosecution of possibly corrupt office-holders has become more rigorous.

Thailand possesses a spotty record when it comes to protection of civil and human rights. Since the 2003 “drug war” (leading to almost 3000 extra-judicial killings), there have been few prosecutions on this issue. Meanwhile, as the insurgency in the far south has continued, both the Thai military and insurgents have engaged in gross violations of human rights. Thai security forces have carried out extra-judicial killings, arbitrary arrests, torture, and disappearances of Muslims known or thought to be involved with rebels. The government has increasingly sought to send refugees along the border with Myanmar and Laos home, despite their refugee status. Indeed, in some instances, Bangkok has prevented the UNHCR from processing potential refugees. Moreover, a group of 158 Lao Hmong refugees, 92 of whom are children, have been held in detention since November 2006 despite a lack of proper legal grounds. Human rights workers and journalists have disappeared or been assassinated. In late 2008, hooligans belonging to the PAD or UDD groups injured some people and killed others, and no one has yet been brought to justice. Thailand’s overall record on human rights, freedom of movement, and access to justice continues to be spotty.

Civil rights

4 | Stability of Democratic Institutions

The constitution of 2007 – the charter defining the functions of Thailand’s democratic institutions – came about as a result of a military coup d’état and various military pressures. As such, the country’s current pluralistic bodies have an unhealthy authoritarian genesis. Still, given that the new constitution strengthened courts, horizontal accountability has grown accordingly. Following the general election of December 2007 and the end of military rule at the beginning of 2008, Thailand embarked on what appeared to be a return to stable democracy. Friction between the administration and the judiciary soon appeared as the courts began trying cases against Prime Minister Samak and his successor Prime Minister Somchai, and cases arguing for party dissolution were brought against parties in the

Performance of
democratic
institutions

ruling coalition. Simultaneously, the government initiated attempts to change the constitution, aiming to derail these cases. The government also experienced friction with the army, which has often refused to cooperate with the government. Despite the existence of formal democratic institutions, Somchai and the military remained at odds with each other until the fall of the PPP government at the end of 2008. As of January 2009, the successor Democrat government led by Abhisit Vechachiwa remained challenged in its search for united popular support.

The general elections of late December 2007 were embraced by most Thais, who had become increasingly opposed to military rule. In June 2008, the PAD initiated a permanent sit-in in areas of Bangkok, accusing the government of corruption and treason against the king. Their solution was to call for a new system of 30% elected and 70% appointed parliamentary members. In response to the growth of PAD “yellow shirt” activity, a pro-Thaksin United front of Democracy against Dictatorship (UDD) “red shirt” mob began to evolve. Sporadic acts of violence erupted between these groups. In late August, the PAD physically took over Government House and then attempted to capture the parliament building. By this act, the PAD showed that it gave higher priority to its own agenda than to the preservation of democratic institutions. The UDD was little different. The refusal of the army and inability of police to protect the elected government against the PAD’s physical onslaughts was seen as a positive development by many Thais who hated Thaksin. Oddly enough, these same people supported the legitimacy of other democratic institutions, such as the judiciary. Throughout 2008, Thailand’s high courts (stacked with judges appointed by the military regime) agreed to hear various cases involving Thaksin, his allies, and his coalition’s political parties. By the end of 2008, pro-Thaksin groups viewed the courts and army as puppets of extra-constitutional forces, while anti-Thaksin groups refused to accept any new pro-Thaksin government, even if duly elected. The 2007 – 2009 period ultimately broke down into a struggle between royalist elite entrepreneurs and pro-Thaksinites, overshadowing any genuine commitment to democratic institutions.

Commitment to
democratic
institutions

5 | Political and Social Integration

Thailand possesses a loosely cohering, fragmented party system. Except for the Democrat party, most other parties fade in and out on a regular basis. Parties tend to be factionalized, clientelistic, regionally structured, and non-ideological. Most parties tend to be power-seeking, looking to achieve office as a means to extract rent, thereby recouping election losses and rewarding supporters. Perhaps the only exception to this is the Democrats, who tend to be less factious and more coherently institutionalized. However, all parties have been built from the top down, either from parliamentary, business, or military groupings. Some parties are vertical structures, revolving around the personality of their leader. Others are decentralized

Party system

entourages of various factions. Some factions even live longer than parties. Rank-and-file members have little influence on party decisions. Further characteristics include frequent party switching and a traditional lack of transparency regarding party operations. Thailand's effective number of parties has veered from 5.6 in 1997 to 1.65 in 2005 to approximately 6 again in 2007, demonstrating that fragmentation is again on the rise. The 2007 constitution helped to exacerbate party fragmentation and factionalism by prohibiting the merging of parties within a prime ministerial term, and allowing members of parliament to vote against the wishes of their party leader. Factionalism was also intensified by the establishment of a multi-member district electoral system, which forces intraparty competition at election time. The new constitution furthermore establishes tighter regulation of parties, and makes it easier for parties suspected of electoral malfeasance to be dissolved by the judiciary.

Parties begin to experience real popular participation only in 2001. As a result of the Thai Rak Thai party's populist reforms, Thaksin Shinawatra built a vast constituency in the country's populous north and northeast, although Thaksin's paternalism, apparent corruption, and growing domination of Thailand's politics frightened those who saw him as a threat to the king himself. These skeptics were elated by the 2006 coup, the 2007 dissolution of the TRT, and the 2008 dissolution of TRT's pro-Thaksin successor People's Power Party. Thais have long viewed parties as groupings of crooks looking to "eat" the country, and the 2001 – 2006 Thaksin era only intensified this view. As a result, the 1997 and (even more so) 2007 constitutions erected numerous laws and monitoring agencies designed to closely scrutinize the activities of political parties and punish them for any illegal activities.

In December 2008, courts transformed the country's party system by dissolving three parties (including PPP) for electoral malfeasance. The executives of these parties were banned from politics for five years, while non-executive members simply reinvented themselves by forming new parties.

Though Thai civil society is weak by western standards, it is rapidly evolving. Business associations, given their connections with political parties and bureaucrats, have been especially effective in influencing government policy. Workers' unions, traditionally repressed, have been far less successful. However, in 2008, the Samak government agreed to support union demands for the establishment of day-care centers serving female workers with young children. NGOs have existed continuously in Thailand since 1980, working on a host of issues ranging from slums, farmers' problems, environment, health and democracy. Many NGOs have formed alliances with members of parliament, senators, and even bureaucrats. Since the late 1980s, the government has expressed its desire for greater cooperation with NGOs. Still, state-NGO relations continue to be antagonistic. Buddhist organizations have become increasingly active in Thai politics. In 2007 they

Interest groups

pressured the Stock Exchange of Thailand to reverse its decision to publicly list Chang Beer on the market. Two negative elements of civil society, embodied in the parallel development of the PAD and the UDD, emerged in Thailand in 2008. The PAD is integrated with royalist reactionary elements in Thai society who support a regression of Thai democracy. This group is well-armed and has used violence. The UDD is associated with businessman/politician Thaksin Shinawatra and has also used violence. The continuing growth of these groups in Thai society represents a dangerous trend. A third (much smaller) “white ribbon” group campaigns against political violence.

Recent survey data shows that Thai citizens report high levels of consent to democracy. However, in general, urban Thais appear to have different conceptualizations of democracy than do rural Thais. Urban Thais, in general more educated and prosperous than their rural counterparts, place more emphasis on the rule of law and civil liberties. Rural Thais, on the other hand, place more stress on mass, popular democracy. Despite a lack of quantifiable data on the subject, many Thai people did support Thaksin Shinawatra’s semi-authoritarianism when he was in power. Thaksin’s opponents were relieved by the coup that overthrew Thaksin, but began to fear democracy as a means for unscrupulous autocrats to “democratically” maneuver themselves into office. This skepticism was especially true of PAD leaders, who accused rural voters of selling their vote, thereby allowing corrupt politicians to come to power. In late 2008, both those supporting and opposing Thaksin seemed to consent to democracy as long as it suited their interests. Each side also sought to change the constitution.

Consent to
democratic norms

Voluntary social self-organization for purposes of self-help has a long history in Thailand. In rural areas, farmers have long assisted each other with the planting, transplanting, and harvesting of rice. Village communities often come together to share in the preparation of festivals, build homes, ensure adequate food supply or guard against dangers to the locale.

Associational
activities

In terms of social capital, family and kin groups have traditionally acted as key nodes which expedite collective action. Meanwhile, already-tight community groups have helped to make the decentralization of administrative capacities a successful phenomenon in Thailand. Dense networks of structures and mechanisms have propelled forward business associations, unions, and NGOs. Thailand’s government has worked to spark greater social capital relationships. A 2006 World Bank study reported that Thailand’s Social Investment Fund had proven successful in enhancing social capital at the village level. There is fear, however, that such community mobilization will not be enough to cushion Thais from the expanding economic crisis of 2008 – 2009. Moreover, the deep political polarization between pro- and anti- Thaksin groups has torn families and communities apart.

Thai civil society has long had an acrimonious relationship with the government.

This is especially true regarding the environment, refugees, farming, and issues of democracy in which the state was long unquestioned. As a traditional bureaucratic state where authority was generally top-down, the Thai state has generally refrained from giving in to civil society demands. However, the 2006 – 2008 period of military rule ushered in greater civil society-state antagonisms. In 2008, the growth of the PAD and UDD led to a situation in which many NGOs became divided between supporting the PPP (and its populist policies) as opposed to championing the anti-government PAD.

The continuing growth of civil society in Thailand has led to a highly participatory political culture in Bangkok. This environment has in turn led to calls for greater adherence to the rule of law, and for a more effective system of checks and balances. Urban elite civil society organizations were often well-connected with senior bureaucrats, politicians, and international donors. Though they may be aware of urban problems, these individuals often have few connections to rural areas, and lack understanding of rural dilemmas. By contrast, the less affluent rural civil society organizations are generally aware of rural problems, but have fewer resources available.

II. Market Economy

6 | Level of Socioeconomic Development

Thailand's socioeconomic development continues to improve despite a slight drop on the scale of medium human development over the past three years. With an HDI value of 0.781, an HDI ranking of 78 out of 177 countries (according to the 2008 Human Development Report), a 2007 per capita GDP of \$7906 (PPP), and a moderately growing economy, the World Bank classifies Thailand as a lower-middle-income-country. These development trends have to some extent ameliorated levels of poverty and social exclusion, thus contributing to an adequate freedom of choice for a majority of Thai citizens. However, most Thais have not seen their living and social standards noticeably improve. The 1987 – 1996 economic boom paralleled a rising development disparity between Thailand's rich and poor, as well as among geographic regions (e.g., Bangkok versus provincial Thailand). Following the 1997 financial crisis, the economy contracted, inflation skyrocketed, unemployment soared, and income levels plummeted. Consequently, poverty rates increased while living standards dwindled. The decade after the crisis has seen the gradual recovery of Thailand's economy. Yet following the 2006 coup, Thailand

Socioeconomic
barriers

again experienced economic slowdown. In response, the interim Surayud government began actively promoting the king's "Sufficiency Economy" approach (an economic orientation emphasizing flexible frugality), while canceling several of Thaksin's populist policies. The programs were restored following the electoral victory of the Thaksin-supported People's Power Party in late 2007. In 2008, amidst rising inflation and living costs, the Samak government introduced several new measures, including free commuter service on third class buses and trains, and began work on five mega-projects, including a national irrigation grid. These policies have continued under Prime Ministers Somchai and Abhisit. Today, life expectancy stands at 71 years, which is higher than the regional average. The literacy rate is 93%, and more than 96% of the population has access to improved sanitation facilities and water access. These indicators suggest that socioeconomic development has continued to grow. Nevertheless, income inequality has persisted. The wealthiest 20% of the population earns half the total income. A large number of Thais continue to suffer from poverty, social exclusion or discrimination due to gender, ethnicity or geographic location. 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 reside).

Economic indicators		2004	2005	2006	2007
GDP	\$ mn.	161339.7	167798.5	198629.7	236614.8
Growth of GDP	%	6.3	4.6	5.2	4.9
Inflation (CPI)	%	2.8	4.5	4.6	2.2
Unemployment	%	1.5	1.4	1.2	1.2
Foreign direct investment	% of GDP	3.6	4.8	4.5	4.0
Export growth	%	9.6	3.9	8.5	7.1
Import growth	%	13.4	8.7	2.6	3.5
Current account balance	\$ mn.	2759.4	-7646.6	2175.2	15755.1
Public debt	\$ mn.	15310.7	13627.7	11703.8	9841.5
External debt	\$ mn.	51294.7	51411.1	55022.6	63066.8
Total debt service	% of GNI	8.1	10.8	8.2	7.8
Cash surplus or deficit	% of GDP	1.1	2.6	2.0	0.1
Tax Revenue	% of GDP	15.9	18.1	17.5	16.8

		2004	2005	2006	2007
Government consumption	% of GDP	11.1	12.5	12.3	13.1
Public expnd. on edu.	% of GDP	4.2	4.2	4.3	3.9
Public expnd. on health	% of GDP	2.3	2.2	2.3	-
R&D expenditure	% of GDP	0.3	0.2	0.2	-
Military expenditure	% of GDP	1.2	1.2	1.2	1.4

Sources: The World Bank, World Development Indicators 2009 | UNESCO Institute for Statistics | International Labour Organization, Key Indicators of the Labour Market Database | Stockholm International Peace Research Institute (SIPRI), Yearbook: Armaments, Disarmament and International Security.

7 | Organization of the Market and Competition

Officially, Thailand is a pro-business country with a constitution that guarantees a competitive free-market system. Yet despite efforts to institutionalize market competition more fully, the situation today remains inadequate. Following the 1997 crisis, the Chuan government embarked on an IMF-backed restructuring of the financial sector, including greater deregulation and privatization of state-owned or state-monopoly enterprises in various business areas. The purpose was to foster more market competition and transparency. But a lack of transparent competitive bidding and the persistent influence of economic heavy-weights have continued to hinder Thailand's financial sector. The country continues to have a large underground economy and informal sector, from which many Thais derive their earnings. UNDP data (2004) finds employment in the informal sector as a share of agricultural employment to be over 71%, with around 20% employed in the non-agricultural sector. The informal sector accounts for a large part of enterprises in all of the various sectors – agriculture, manufacturing, trade and services. Though women have traditionally represented a large proportion of Thailand's informal sector, layoffs related to the 1997 crisis resulted in a significant number of men being absorbed into the informal labor market as well. Many Thais have remained outside of the formal market despite the economic revival in 2002, suggesting that Thailand's economic policy has yet to establish an appropriate institutional framework.

Market-based competition

Responding to the crony capitalism which contributed to the 1997 meltdown, the Chuan government enacted the 1999 Trade Competition Act (presided over by a Trade Competition Commission or TCC), which was intended to strengthen the government's ability to regulate price fixing and monopolies by private parties. But the act has proven to be relatively ineffective. The Commission is overseen by the Minister of Commerce, a political appointee, while many "expert" commissioners

Anti-monopoly policy

have tended to be appointed from large businesses. Pressure from big business and apparent government indifference have stymied Commission efforts. Meanwhile, the administration of Thaksin Shinawatra, a politician-businessman who controlled massive corporate interests, did not bode well for an agency tasked with breaking up monopolies. Nor have TCC success rates improved since Thaksin's fall. From 1999 to 2008, 73 complaints were received, though only some of these were acted upon (e.g., the TCC initiated efforts to end unfair trade practices by mega-retailers). Ultimately, it appears that crony capitalism has once again become dominant in Thailand. The TCC today appears to be a toothless talk-shop, unable or unwilling to enforce the law, while entrepreneurs with political clout continue to dominate the market. Market competition in Thailand might improve if the TCC were more greatly insulated from business influence, possessed more power to enact laws, and had a larger budget.

Although the IMF and WTO have successfully pressed Thailand to liberalize its foreign trade, the dismantling of certain trade barriers stalled after the 2006 coup. Thailand's Foreign Business Act (FBA) forbids majority foreign ownership of investment 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. Meanwhile, beginning under Thaksin, Thailand has promoted bilateral, regional, and global free trade agreements (FTAs). The country has negotiated five bilateral free trade agreements (with Australia, China, India, Japan, and New Zealand). An FTA with Peru is soon to be implemented, while negotiations for a Thailand-United States FTA, hindered by the successive administration changes in Thailand, have yet to be completed. Thailand is a founding member of the ASEAN Free Trade Area and initiated the Ayeywady – Chao-Phraya-Mekong Economic Cooperation Strategy (ACMECS), a regional trade cooperation agreement comprising Thailand, Myanmar, Laos and Vietnam) in 2003 and has promoted other such agreements including the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), which comprises Bangladesh, Bhutan, India, Myanmar, Sri Lanka, Thailand and Nepal. The current government is also expanding trade within the Greater Mekong sub-region (covering the ACMECS economies as well as Yunnan and Guanzhi, China). In 2007 and 2008, the Office of the U.S. Trade Representative placed Thailand on its Priority Watch List, a ranking of serial violators of intellectual property, in part because of Bangkok's compulsory licensing of certain drugs. Meanwhile, the WTO has called for Thailand to simplify its complex tariff regime and further liberalize the service sector.

Liberalization of
foreign trade

Non-performing loans (NPLs) have continued their steep decline from 47% of all loans in 1999 to approximately 4% in 2008. Continuing debt restructuring, as well as Bank of Thailand (BOT) requirements pushing banks to reduce NPLs to 2% of portfolios have contributed to the decline. In 2006, the government implemented

Banking system

Thai Capital Market Master Plan II (2006 – 2010), building on Plan I, which aims to increase overall market capitalization, provide greater fundraising efficiency and promote savings, especially in the equity, bond and derivatives markets. Meanwhile, Thailand has promised to accede to the 2004 Basel II banking regulation standards, though it has yet to actually do so. Still, a greater commitment to banking regulations would clearly work toward a stronger banking system in Thailand. In 2008, aiming to expand competition in the banking sector and promote more banking services, the BOT drafted Financial Sector Master Plan II (FSMP II), building on the 2004 FSMP I. Throughout 2007 – 2008, trading on the SET and the Thailand Futures Exchange was quite volatile, and the government encouraged the listing of more companies by offering tax breaks. Fourteen of 18 Thai banks are listed on the Stock Exchange of Thailand (SET), ensuring banking transparency for these listed institutions. Nevertheless, the overall picture for market capitalization in the SET is gloomy. In October 2008, the exchange index plummeted by 10%, forcing a suspension of trading, only the third time this had happened in the SET's 33-year history. Market capitalization declined from 5.046 trillion baht in September 2006 to 3.10 trillion baht in October 2008. The government is considering injecting 60 billion baht to shore up the local bourse. The government should enact more risk alleviation mechanisms to reduce the risks of growing market volatility. It also needs to move quickly to stabilize the baht. Most Thai banks continue to perform profitably with modest capital levels, but rising inflation, the growing global economic crisis and Thailand's persistent domestic instability all threaten to disrupt Thailand's banking system and capital market.

8 | Currency and Price Stability

Though the government has taken steps to contain inflation, it continued to run at a 10-year high in 2008, slackening only in August of that year. During the first half of the year, it had averaged 6.3%, growing to 9.2% in July (although core inflation, excluding fuel and natural gas, stood at 3.7% during this period). The Bank of Thailand made several adjustments to force a decline in inflation, boosting its interest rate to 3.75% in June. However, the BOT and Finance Ministry were in conflict as to the best way to counter inflation. The BOT supported a continuation of the 3.75% interest rate, while the Ministry feared that such a policy would drive away investors. Meanwhile, the government further implemented a \$1.4 billion consumer-relief package. This included subsidies on diesel, a lowering of the excise tax for gasohol, free electricity and water for poor households, and free rides on third class trains and buses in certain areas. In August 2008, as oil prices plummeted, inflation began to decline. By November 2008, the continuing fall in inflation prompted the Commerce Ministry to revise the predicted rate of inflation for 2008 downward, from 6.5% to 5.9%. For December, inflation hit a lower-than-expected 0.4%. The Ministry forecast that 2009 inflation might be a mere 0% –

Anti-inflation /
forex policy

1.2%, with deflation now a potential threat. Thanks to the lifting of capital controls in early 2008, the baht appreciated against the dollar. However, by August, amidst concerns about the worldwide economic downturn, the baht depreciated 1.2% against the dollar as compared to the beginning of the year. In September, the SET plunged 5% as some panicked foreign investors unloaded their risk assets in Southeast Asia. By October, the baht had fallen to an 18-month low of 34.9 to the dollar. To reassure investors, the BOT hinted at a reduction of interest rates, though it did not make any adjustments to the exchange rate to offset the baht's decline. As such, it disagreed with suggestions made by Thailand's finance minister, who publicly stated that the best way out of the economic slump would be to undervalue the baht against the dollar by 5% in order to boost exports, since the export sector (representing 60% of GDP) was expected to decline in 2009. The difference in approaches by the BOT and Finance Ministry (and the changing administrations) reflects growing confusion and potential inconsistency in Thailand's economic policy. Meanwhile, in terms of foreign exchange policy, the BOT abandoned the managed floating exchange rate regime (adopted in 1997) in December 2007, instead adopting the older system based on a basket of currencies, which allows it to manage the stability of the baht more efficiently during times of sharp global financial fluctuation.

After nine robust years, economic stability has begun to wane in Thailand under the influence of the global downturn, and as problems in the political arena grow. Moreover, disagreements between the BOT chief (who oversees monetary and interest-rate policy) and the PPP-appointed finance minister (who presides over fiscal policy) have continued to surge. The former supports a tight monetary policy as a way out of the economic crisis, while the latter prefers a growth-oriented policy that would appeal to the people. In June 2008, the Samak government accelerated government expenditures paired with targeted fiscal deficits. These were set at -1.8% for 2008 and -2.5% for 2009. Both the Samak and Somchai governments also implemented public investment projects which were expected to bolster consumer demand in 2008 and 2009. However, the plans were never realized due to political instability. To expand the bond market, the Finance Ministry began issuing inflation-linked bonds. Thailand's net international reserves have grown from their September 2006 level of \$65 billion to \$103.17 billion on 31 October 2008, though this marks a decline from February's \$123.8 billion figure, following the lifting of capital controls. In line with the current Tenth Social and Economic Plan (2007 – 2011), which mandates a public debt of no greater than 50% of GDP, the government managed to restrict the public debt to 38.5% in 2008. In 2009, the Abhisit administration unveiled a new 300 billion baht fiscal stimulus package to avoid further recession.

Macrostability

9 | Private Property

Property rights and property acquisition are passably defined. The 2008 International Property Rights Index, which covers property rights in the legal, political, physical, intellectual and gender-based realms, ranked Thailand at 49th out of 115 countries worldwide and 10th out of 18 countries in Asia. While Vietnam and Indonesia are behind Thailand, India and Malaysia both are ranked higher. The 2008 Index of Economic Freedom gives Thailand a 50% on a 0-100% scale of private property rights. The Index maintains that in Thailand, though private property is generally protected, the legal process is often protracted. Third parties can still influence judgments through illicit means. Though Thailand possesses a Central Intellectual Property and International Trade Court, intellectual property piracy remains.

Property rights

Private firms are crucial to the Thai economy though the country continues to possess a large public sector. Since the late 1990s, Thailand has committed itself to privatization of some state-owned enterprises. However, the rate of privatization has slowed due to resistance from parts of civil society, as well as the constant administration changes between 2006 and 2008. Some fear that further privatizations, while improving market competitiveness, would also aid vested interests likely to gain controlling shares in them. Examples of implemented privatizations include the Airports of Thailand company, PTT Public Company Limited, and Mass Communication Organization of Thailand. In June 2007, the Surayud government introduced legislation to limit the sectors in which state enterprises could be privatized. In late 2007, the courts ruled that PTT must return its natural gas pipeline subsidiary to the state. A State Investment Corporation was also proposed, aimed at regulating state enterprises that had already been privatized. June 2008 saw the Thai cabinet pass draft 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). After Thailand’s return to democracy at the end of 2007, senior military officers continued to sit on the boards of state enterprises. This enduring bureaucratic clout has increased apprehension that officers will use such positions to extract rent for their own personal interests, or that the military as an institution will use its hold over these state enterprises to bolster its own economic interests.

Private enterprise

10 | Welfare Regime

Thailand’s welfare regime has been slow to evolve. Traditionally, the family has acted as the social safety net, without involvement by the state. The country’s first welfare program, a simple workers’ compensation fund, was established in 1974. In 1994, the fund was upgraded with the passage of the Workmen’s Compensation

Social safety nets

Act, and a Labor Protection Act was passed in 1998. Following the Asian financial crisis and continuing demographic shifts in the labor market, demands for improvements in social security grew. The 2004 Social Security Fund covers work-related injury, disability, sickness, and death, but also pays for maternity leave, child welfare, worker pensions, and unemployment compensation. Other recent additions have included the 30 baht health program and higher pensions for retired civil servants. Funding these programs has proved challenging, however. In 2007, the interim Surayud government blamed these programs for the country's sudden budget deficits. In terms of promoting equal opportunity, all Thai citizens can now legally receive 12 years of free basic education (nine years of which is compulsory). Student loans are available for higher education, while affordable health care is also close to universally accessible. Such state initiatives are open to all Thai citizens. Still, disbursement of actual funding in these welfare programs has not always been forthcoming. Moreover, less than 15% of the population is actually covered by insurance. In 2008, Thailand's minimum wage was raised to between 148 baht and 203 baht (\$5 to \$8) per day, depending on the province. Though an improvement, this barely allows many in the working class to survive on what they earn. Following the economic downturn in late 2008, Thai business leaders forecast that the country's unemployment level (which was 1.4% in 2007), will grow considerably. They have predicted that 10% – 15% of workers in the industrial sector will be laid off in 2009. In response, Thailand's Social Development and Human Security Ministry has scrambled to earmark 1.5 billion baht to subsidize these massive layoffs.

There continues to be insufficient institutional assistance for women and minorities, which gives them less access to public services and public office than men. The government has promised to promote the rights of women through the Office of Women's Rights and Family Affairs, but little has been done. Though the Thaksin administration speeded up the process of citizenship for ethnic minorities, no specific state institution exists to assist this group. The same is true for Malay Muslims. In the face of government deficiencies in addressing the welfare needs of impoverished women and ethnic minorities, non-governmental organizations have filled the void. However, NGOs have limited resources and abilities. Perhaps the most underprivileged and maltreated societal group in Thailand is female migrant workers, who are generally ignored by Thai law. All in all, Thailand's welfare regime is rudimentary, and institutions compensating for gross social differences are only slowly improving.

Equal opportunity

11 | Economic Performance

In 2007, the Surayud government was beset with economic and political challenges which besmirched its legitimacy, alarmed foreign investors, and created obstacles

Output strength

for policy implementation. Capital controls were eliminated following the country's return to democracy at the end of 2007, but 2008 saw even greater domestic political turbulence, continuing border spats with Cambodia, and the administrations of two different prime ministers. As a result, consumer and business confidence plummeted. Enduring political instability has decelerated economic policy implementation. Exacerbating the troubles of this year, the global economy went into a slump (deriving from the sub-prime housing crisis in the United States) and Thailand saw its highest inflation in a decade (which showed signs of easing only in late 2008). There was thus an increase in the price of consumer goods and a steep rise in the cost of living, which many citizens' incomes could not cover. These factors have caused household debt levels to hit a record high, amounting to 26% of GDP, up 16 percentage points from 2007. More and more people have borrowed (many from loan sharks) to cover costs related to daily living, transport, housing, healthcare and investment. At the same time, unemployment is on the rise. The 2008 economic downturn caused the Bank of Thailand to revise growth rates downward to 4.3% – 5% for 2008 and 3.8% – 5% for 2009. At the end of 2008, average annual GDP growth per capita fell below 4.1%. Meanwhile, the country moved from a current account surplus to deficit during the summer of 2008. Growth in both private and public consumption spending dropped in 2008, producing a total contribution of just 1.2% of total GDP growth for that year. Growth in fixed capital formation also decelerated while fixed investment growth spiraled down. Thailand's budget deficit for 2009 is set to be the highest since 1999. Persistent political problems and the onset of a global meltdown appear to be the twin causes of Thailand's lackluster economic performance. As for Thailand's balance of trade, agricultural, merchandise, industrial exports and high-technology exports rose more strongly than expected. There was a larger rise in imports as opposed to exports in 2008 owing to higher prices for oil and other inputs. As a result, Thailand's trade surplus dropped from \$4.1 billion in 2007 to \$316 million in the first half of 2008. Thailand's government, projecting a budget deficit of 2.4% of nominal 2009 GDP, has sought to increase fiscal spending by 10.5% to help sustain economic growth. Foreign investment is already down, given the continuing instability. For the future, the potential for economic growth depends on the extent and length of the political situation as well as the global economic recession. If current trends continue, consumer and business confidence will diminish even more, further eroding economic growth.

The PAD's blockade of Thailand's two principal international airports in December 2008 was estimated to have caused economic damage of over 140 billion baht. The result was a crippling of the nation's tourism industry, and prompted economic institutions to further revise economic growth projections downward to just 2% for 2009.

12 | Sustainability

Environmental concerns are deemed important in Thailand, despite primary attention directed toward economic growth. Environmental laws and standards were first introduced in 1992, while the Thaksin government established a Ministry of Natural Resources and Environment. The ministry's Pollution Control Department has established controls for water, soil, air, and noise. It has sometimes brought pollution offenders to court, and some of these have been convicted. The 2007 constitution enhances the rights of Thais regarding environmental protection. The country's "sufficiency economy" economic approach (enshrined in the 2007 constitution) supports environmentally sustainable economic growth. Still, continuing economic growth has produced greater challenges for environmental conservation. Moreover, vested interests influential with bureaucrats have sometimes been able to place personal profit interests ahead of environmental welfare (e.g., a logging scandal at national parks; possibly contaminated water from the Chiang Mai night safari). However, foreign and local NGOs are playing a vital role, adding more voices to efforts to improve state environmental policy.

Environmental
policy

Thailand's educational system (primary, secondary, and tertiary) covers almost the entirety of the country. Given that public schooling (grades 1 – 12) is free (grades 1 – 9 are compulsory), school attendance is close to universal. According to the UNDP, Thai public spending on education stood at 4.3% of GNP as of 2006. This represented 25% of government expenditures. At the same time, the state expended a mere 0.3% of the GNP on research and development in 2004. In 2008, the IMD Competitiveness Report ranked Thailand 51 out of 55 countries in terms of R&D. Clearly, the country's spending in this area needs much improvement. Meanwhile, public schools and state universities continue to suffer from overly hierarchical and inefficient administrative operations. The quality of Thai education generally depends on where one goes to school. In wealthier urban areas, all school levels tend to offer higher teaching standards and educational resources than do those in poorer rural areas. Debate has grown over the privatization of education, which could increase the educational gap between rich and poor. Less attention to improving resources produces problems in educational achievement. The 2006 Program for International Student Assessment (PISA) found that only 40% – 50% of Thai students scored at level one in terms of literacy and science. Despite the presence of a far-reaching, near-equitable education system, the Thai government needs to more effectively inject research and development spending into it. The Thaksin administration was preparing for greater educational strides, including laptop computers in schools for student use. But the 2006 coup and the multiple subsequent changes in government placed educational reforms on hold. With the sudden economic slump in late 2008 and continuing political problems, educational outlays may be further delayed.

Education policy /
R&D

Transformation Management

I. Level of Difficulty

From January 2007 until January 2009, Thailand faced a number of serious structural challenges. These included: continuing bureaucratic rigidities and lethargy; endemic corruption at high levels of government; infrastructural weaknesses; societal economic dislocations; severe urban-rural socioeconomic disparities; the continuing influence of organized crime; pandemics such as avian flu and HIV/AIDS; and environmental difficulties such as widespread flooding in the north, growing air pollution in Bangkok, and climate changes related to global warming.

Structural
constraints

Though Thai civil society had early roots in the activities of Christian missionaries and Buddhist charities, modern civil society evolved from the political space that opened up in 1973 – 1976. It was at that time that NGOs as we know them today began to germinate. Foreign pressure to assist refugee camps in Thailand was another factor. From 1980 to the present, the state for the most part has allowed NGOs to evolve uninterrupted. This 30-year period of relative calm is one of the longest such in a developing country. Nevertheless, problems of corruption, poor leadership, and cooptation continue to beset the development of Thai civil society. Local NGOs have also been criticized for being overly influenced by foreign donors.

Civil society
traditions

Thailand has long been viewed as a stable industrializing country with a secure tourist economy. The advent of the Thaksin government in 2001 seemed to enhance this picture. However, four conflicts could perhaps turn this view of Thailand on its head. First, there is the Malay-Muslim insurgency in Thailand's southernmost provinces of Yala, Narathiwat, and Pattani. The strife has killed or maimed thousands of Muslims and Buddhists in the area. The insurgency has also contributed to an increasingly hard-line stance by southern Buddhists, and the result has been heightened levels of violence between Buddhists and Muslims in the south. Second, lingering distrust remains among ethnic minorities toward the government in Bangkok. This follows the violent "drug war," which the Thaksin government waged against suspected narco-traffickers in 2003. The use of extra-judicial executions left close to 3,000 people dead, many of them poor hill-tribe

Conflict intensity

peoples. A third conflict has been the near-war with Cambodia in 2008 over control of border temples. Soldiers on both sides have been killed, and by the end of 2008 a demarcated boundary had yet to be achieved. Finally, by December 2008, Thai society had become violently polarized between those supporting and those opposing Thaksin Shinawatra. Rural folk and lower classes strongly backed the former prime minister, while the urban middle classes and most sociopolitical elites were vehemently against him. Violence resulted as the anti-Thaksin PAD came to blows with both the police and the pro-Thaksin UDD. Meanwhile, the military refused to get involved. A lull in the conflict occurred only with the dissolution of the PPP in December, the desire by most Thais to appear united for the king's December 5 birthday, and the formation of a new government led by the Democrat party and PPP dissidents. By January 2009, UDD protests against the new government threatened to once again heighten conflict intensity.

II. Management Performance

14 | Steering Capability

From 2007 until 2009, political instability, institutional inefficiency, a weakened executive and growing partisan divergence plagued Thailand. The January 2007 – January 2008 period saw the interim government of Surayud Chulanond in power, propped up by a military junta. From January until September 2008, the Thaksin-backed Prime Minister Samak Sundaravej was in office. He was followed by Somchai Wongsawat, who remained in office until December 2008. These changes in regime and government have created constant starts and stops, deleteriously influencing policy-making. As such, long-term perspectives and the application of a transformation strategy have been either difficult to construct or have lacked coherence, especially in respect to economic and trade policies. The Surayud government was seen as slow and inefficient. The only policy priorities it shepherded through to fruition were the 2007 constitution, the legal prosecution of Thaksin, and a higher budget for the military. Meanwhile, both the Samak and Somchai governments appeared to place substantial emphasis on the design of populist policies aimed at immediate electoral benefit rather than at long-term national welfare. Throughout 2008, partisan divergence intensified as the PPP government prioritized repealing much of the 2007 constitution (for self-serving purposes) and the PAD used increasingly violent civil disobedience to expedite the fall of the Somchai administration. The continuing crisis resulted in governmental paralysis as the army, still sensitive to criticism over its 2006 coup, refused to

Prioritization

intervene. With little protection from the PAD, Somchai fled to provincial Chiang Mai and national administration became increasingly difficult. In December, the incoming Abhisit government boasted army support, but was nonetheless challenged by continuing unrest, a faltering economy, the need to forge a national consensus and to find a way to implement policies favorable to northern and northeastern people. In general, Thai governments from 2007 to 2009 have tended to prioritize short-term political expedience over long-term societal needs.

The institutional lethargy prevalent under the military-backed interim Surayud government led to numerous delays in the implementation of policy. Given that senior military officers sat on the boards of several state corporations, politicization contributed toward a steering of implementation toward self-interested ends. By the time the elected Samak government took office, a bilateral free trade agreement with the United States had still not been negotiated, and a crucial bridge over the Mekong River connecting Thai-Laos-Chinese trade had still not been constructed. Though the Surayud government kept its promise of elections in December 2007, the 2007 constitution (enacted under Surayud) generally represented a weakening of qualitative democracy. Under the Samak government, a six-month package of reforms for the people (e.g., free third-class bus and train rides in certain areas) was implemented, as were other reforms. However, Samak's prioritization of constitutional amendments, border strife with Cambodia, a resurgent PAD and legal troubles worked to inhibit his government's effectiveness in policy implementation. Samak's decision to apply an emergency decree in September (following the PAD takeover of Government House), allowing him to exercise unlimited force, only led to more violence. Somchai's successor government managed to increase the budget deficit by 100 billion baht to spur the economy. However, it barely got underway before being met with a PAD siege of parliament. Somchai responded by having the police use tear gas against the protestors, which led to injuries and deaths, and further inflamed the group. The response by the queen and her children implied her support for the protestors. Meanwhile, police were lectured against using force to combat the PAD. The army refused to intervene, either to assist Somchai or carry out a coup against him, but the army's commander publicly advised the prime minister to resign – advice which he refused to take. By early December, the PAD had effectively stymied government operations through acts of violence. Only with the transition to the Democrat-led government did policy implementation return to anything like normality.

Implementation

The 2006 military coup showed that the military had failed to learn from the mistakes of the botched military coup and administration of 1991 – 1992. Generally, militaries have been poor at administration in Thailand. After returning to the barracks in the early days of January 2008, it appeared that the Thai military had once again concluded that overall administration of the country should be left to civilians. However, following the December 2007 election (which brought the

Policy learning

Thaksin-supported PPP governments of Samak and later Somchai to office), it appeared that politicians too had failed to draw important conclusions from the past. Many of the same corrupt policy-makers who served in the Thaksin government resumed positions in these PPP administrations. The PPP government also sought to reverse the 2007 constitution, hoping to restore elements of the Thaksin era. However, they had not learned that accommodation with those opposed to Thaksin (e.g., Privy Council head Prem Tinsulanond) would have been a more sustainable course of action. Samak's verbal attacks on Prem and introduction of constitutional amendments contributed to the resurgence of a stronger PAD. Innovations (drawing on lessons learned) under Samak included cancellation of Prime Minister Surayud's harmful capital controls policy, the restoration of certain Thaksinomics policies cancelled under Surayud and the decision to grant considerable autonomy to the military. Samak's successor Somchai continued these policies, but his continued attempt to change the constitution helped build PAD popularity and excite army enmity. In 2009, the incoming Abhisit government has promised to leave the constitution alone and build national unity, perhaps learning from the mistakes of predecessors.

15 | Resource Efficiency

Having four different governments in a span of two years has made it difficult to make efficient use of available personnel, budgetary resources and administrative organization. Even under the more stable Thaksin government, resource efficiency was lackluster. Politics remains a key factor in decisions based on the hiring and firing of personnel. Though the Thaksin government reformed the cabinet structure to ensure greater resource efficiency, overall bureaucratic reforms have been only slowly realized. Under the governments of Surayud and his successors, state debt has grown, auditing has been only loosely effective, and transparency has dwindled. Meanwhile, inefficiencies have continued to exist in the financial market, the banking sector, and with regard to the rule of law. Moreover, since the election of the Samak government in December 2007, the military has sought and obtained larger budgetary allocations, including an increase of 18% for fiscal year 2009. Increased funding for the military might diminish allocations to other areas (e.g., education, health care). Furthermore, though political and economic decentralization has become increasingly consolidated, budgetary funding from the national level has not always been forthcoming to complement local bodies' miniscule budgets.

Efficient use of assets

The military-installed Surayud government was beset with several conflicting political objectives. As a non-democratic regime intent on national security, it was simultaneously tasked with the goal of overseeing the writing of a new constitution and a popular referendum on the charter (the first in Thailand's history). Surayud's

Policy coordination

successor Samak was pro-Thaksin, thus creating immediate conflict between his elected administration and the army which had led the 2006 coup against Thaksin. The result was extreme difficulty in policy coordination between Samak's government and the military bureaucracy. Once elected, PPP Prime Minister Samak and his successor Somchai tried their best to do away with several parts of the military-imposed 2007 constitution. This put the PPP government soon at odds not only with the military but also with Thailand's judiciary (which was strengthened by the 2007 constitution). When, a crisis erupted along the Thai-Cambodian border in mid-2008, the Samak government sought to prioritize diplomacy, a policy which put it at loggerheads with both the Thai military (which emphasized national security) and the judiciary. Throughout 2008, civil-military relations deteriorated dramatically. Army Commander-in-Chief Anupong Paochinda was able to act with increasing autonomy outside of the control of any prime minister. When Samak sought to use the army to clear the streets of PAD protestors, Anupong hardly did anything. Indeed, as the PAD grew bolder, occupying Government House, the two major airports, and other public facilities, the military still failed to intervene, despite pleas for assistance from Prime Ministers Samak and Somchai. Instead, court decisions led to the forced resignations of both prime ministers. Ultimately, 2008 saw Thailand experience a sudden rise in difficulties involving policy coordination between the elected PPP government on one side and the military and judiciary on the other. Such difficulties grew until the government was at a virtual standstill by December. Only afterwards, with the ascension to power of the anti-Thaksin Democrat party under new Prime Minister Abhisit Vechachiwa, did policy coordination begin to improve.

Thailand has long suffered from endemic corruption at all levels of society. Particular aspects include bribery, nepotism, conflict of interest, and a perversion of the rule of law. Still, the country maintains a superstructure to combat various types of corruption, which has included a system of declaring assets and liabilities and the creation of an independent anti-corruption agency with numerous powers. Under both the 1997 and 2007 constitutions, the National Counter Corruption Commission (NCCC) is given the power to investigate and prosecute, independent of the Attorney General's Office. The 2007 constitution expands the powers of the NCCC in cases involving politicians and state officials, shifting the burden of proof to the defendant. In April 2008, the agency found a cabinet minister under Prime Minister Samak guilty, forcing the minister to resign. Other entities were also created which at least partially relate to the promotion of transparency and the diminishing of corruption. These include the Anti-Money Laundering Organization (AMLO), the Office of the Ombudsman, the Constitutional Court, the Election Commission and the Human Rights Commission. Following the 2006 coup, the military-created Assets Examination Committee was authorized to scrutinize the assets of former Prime Minister Thaksin and his ministers. So far, this process has resulted in a lower-court conviction of Thaksin's wife for tax evasion in July 2008 (she has

Anti-corruption
policy

appealed), and a lower-court conviction of Thaksin himself for conflict of interest in October 2008 (as of the time of writing, he has not appealed). But these watchdogs have hardly reduced corruption. In 2008, Thailand ranked at 80th place out of 180 countries and scored 3.5 out of 10 on Transparency International's Corruption Perception Index. This represented a fall as compared to pre-coup TI rankings. That same year, the Political and Economic Risk Consultancy (PERC) ranked Thailand as one of the two most corrupt countries in Asia, worse than Indonesia and China.

16 | Consensus-Building

Though relevant political actors agree on the need for a market economy, from 2005 to 2009 there has been an increasing polarization of views in terms of social welfare policies and political transformation. A crucial clash revolves around one man: Thaksin Shinawatra. People either admire or despise him. Despite the attempt of coup leaders to enshrine the king's "sufficiency economy" (founded upon Buddhist frugality) as an alternative paradigm to Thaksin's "Thaksinomics," which comprise populist, socioeconomic welfare schemes, the late-2007 election of a PPP government again brought Thaksinomics to the foreground. The 2007 constitution represented a second conflict, diluting the power of parties and elected prime ministers while strengthening the courts and independent organizations such as the National Counter Corruption Commission. Moreover, it voided the country's elected Senate in favor of one in which almost half of all senators were appointed. Once in power, the PPP did its best to amend the constitution – a move opposed by the parliamentary opposition, which helped to reinvigorate the PAD. A third clash revolved around the "New Politics" of the PAD. Its leaders sought to provoke a second military coup and to change the constitution so as to modify the method of filling seats in the House of Representatives. The idea was to have 30% of lower-house legislators elected, and 70% appointed by committee, under the assumption that poor rural voters (who backed Thaksin) ignorantly sold their vote while elite appointees could be counted on to act responsibly. A fourth conflict involved the role of Thailand's military. Having lost much public favor following the 2006 coup, the Army was reluctant either to assist the PAD by staging a coup to change the constitution or to help the government by dispersing disruptive PAD demonstrators. A fifth issue pertained to the Thai-Cambodian border. In 2008, the Cambodian government convinced UNESCO to register a temple on the Thai-Cambodian frontier as a World Heritage Site, including adjacent land areas. One such area was claimed by Thailand, which sent troops to occupy that portion. The dispute led to border skirmishes. Some Thais (mostly soldiers) sought a forceful response while others (mostly academics) favored mediation.

There are five groups of anti-democratic actors in Thai society. These include the

Consensus on goals

Anti-democratic
veto actors

military (and other security-related bureaucrats), the monarchy, private sector interests opposed to democratic reform, and two mob groups – the aforementioned PAD and UDD. The military's influence over state positions, its influential friends in parliament and economic power has contributed to a delay in market and democratic reform processes. This can be seen in their abilities to remain on the boards of state corporations as well as in the coup of 2006. In late 2008, the army's refusal to protect the Somchai government from marauding PAD demonstrators was another example of the military's continuing veto abilities. Meanwhile, the monarchy continues to possess enormous informal political power over the country. 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 is more generally behind the scenes, though he has been instrumental in publicly ending national crises on at least three occasions. However, the king has endorsed at least five military coups and critics of the monarchy can by law be jailed. With regard to anti-democratic private sector interests, the monarchy's Crown Property Bureau (CPB) is majority shareholder in Siam Cement, Christiani and Nielson, Siam Commercial Bank and other companies. The People's Alliance for Democracy (PAD) represents another anti-democratic actor. In 2008, the group's civil disobedience included the physical take-over of Government House and Bangkok's two civilian airports as well as cutting electricity to parliament. They hijacked such landmarks to pressure the Somchai government's to resign, which the latter was eventually forced to do anyway. In 2008, the United Front of Democracy against Dictatorship (UDD), a mob of pro-Thaksin supporters, clashed violently with the PAD. In early 2009, the PAD and UDD were watching suspiciously on the side-lines while the incoming Democrat-led coalition commenced its administration.

Thailand faces one deep political cleavage based around geography and class, and another pertaining to ethnicity and religion. The first involves impoverished rural farmers in Thailand's populous north and northeast, who tend to elect representatives who will provide communities with pork-barrel benefits such as bridges and roads. There is also an upcountry tradition of vote-buying and clientelistic loyalty to rural godfathers. Most Thai members of parliament derive from this traditionalist rural archetype. Thaksin Shinawatra – a charismatic “doer” – and his populist social welfare programs appealed to the rural poor, most of whom became Thaksin loyalists. It was this mindset which ensured the election of a PPP government in late 2007. More prosperous, educated Bangkok voters tend to support candidates who are considered incorruptible champions of democracy under a king. Traditional societal pillars such as the military, monarchy and metropolitan business adhere to this position. Other groups such as Bangkok professional associations, most academics, many journalists, intellectuals, Bangkokian civil servants and the Democrat party also support this view. It was ironic that Bangkokian advocates of “democracy” merged with authoritarian

Cleavage /
conflict
management

royalists to support the 2006 coup. Though this vague alliance began to melt away following the military's seizure of power, it resurrected itself after the PPP was elected. Indicators of cleavages can be seen in the constant changes in regime and government from 2006 to 2009. In late 2008, as polarization deepened and the army refused to stabilize the situation, "red shirt" mob supporters of Thaksin (UDD) came to blows with those who sought to physically overthrow the PPP-led government (PAD). In late 2008, the virtual inability of the Somchai government to function, the refusal of the army to impose order, the PAD's seizure of key state interests with impunity, the silence of the monarchy, and the lame performance of courts and police in response to the crisis all resulted in a widening lack of consensus, which seemed to be heading toward irreconcilable conflict.

As for ethnic/religious cleavages, deep distrust among southern Malay-Muslims toward the state was exacerbated by Thaksin's hard-line policy of trying to force peace in Pattani, Narathiwat and Yala provinces. Insurgent attacks against Thai Buddhists aggravated the situation further. After 2006, though the army claimed to offer an olive branch toward insurgents, the state's policy of forceful suppression in fact continued. By January 2009, insurgency was still alive in Thailand's far south. Meanwhile, another issue of divergence involved citizenship and community rights for northern ethnic minorities. These tribes often suffer from discrimination on the part of lowlanders and government officials. Thaksin was the first prime minister to address their needs, but was overthrown in 2006. Successor governments have been slow to assist these ethnicities.

Complicating matters has been the fact that three governments have come and gone within a three-year span. Moreover, military influence expanded throughout this period, debilitating Thailand's nascent democracy. Growing military clout and continued monarchical domination over the political system have been serious impediments to the full evolution of Thai democracy. Meanwhile, the sudden growth in power of the "yellow shirt" PAD (which invaded and took over Government House as well as other public facilities), had a deleterious effect on stability and democratic consolidation. The attempts of Thaksin Shinawatra to return to power through his proxy PPP and its "red shirt" UDD supporters contributed to instability throughout the country. The violence clashes of November and December 2008 between the PAD and the UDD, as well as the PAD and the government, escalated the constraints on future political leadership to govern effectively.

Civil society voices have become increasingly influential in Thailand. The political leadership grudgingly involves them in policy debates. Their ability to represent or address special popular needs more swiftly than the state has augmented their legitimacy. Thai civil society includes business associations, which have influenced the direction of Thai economic policy. Also, since the enactment of the decentralization act of 1994, local representatives have compelled administrative

Civil society
participation

powers to address local needs more urgently. NGOs, academics, intellectuals, religious groups and journalists became united in their opposition to Thaksin's hegemonic party state. Thaksin either tried to co-opt civil society or isolate his opponents within it. The military government existed in a love/hate relationship with civil society. On the one hand, the two sides were generally in agreement in opposing Thaksin. On the other, the nature of military governance was unacceptable to NGOs and other groups. The PAD and UDD represent violent developments in the evolution of Thai civil society. These groups' successful use of politically motivated mob violence is indicative of their abilities to influence events as well as of the extreme schism in Thailand today.

The government has wielded brute force against rebels, but has also utilized concessions and empowerment for southern Malay Muslims in seeking to quash the insurgency. Still, it lingers on. Meanwhile, empowering northern ethnic minority voters has become a lower priority goal as governments have come and gone. Thaksin's 2003 "drug war," resulting in almost 3000 extra-judicial killings, left a scar in the state's relations with mountain people that the former is seeking to overcome. In terms of historical ethnic, religious and class injustices, Thailand's political leadership has used an ideology constructed around King Bhumipol Adulyadej as a way to shape loyalty out of bitter memories. With respect to elite politics, divisions exist over the 2007 constitution. The PAD spearheads the view of those who want to revise the charter to diminish the direct electoral elements in Thailand's democracy. The PPP and UDD want the 1997 constitution to once again be the law of the land. The current military-imposed constitution represents a sort of middle ground, though its supporters could include the military, intraparty faction members and bureaucrats. The monarchy's view is opaque. The PAD's attempt to force an army coup or compel the government to fall by creating havoc has dramatically aggravated tensions and raised serious questions that remain unanswered: To what extent will the military and police become willing to bring stability to the country? How can the situation be stabilized and accepted by all sides, and who or what will oversee the process?

Reconciliation

17 | International Cooperation

The Surayud, Samak, Somchai and Abhisit governments all claimed to have clear aims of democratic and economic development. According to the Asian Development Bank (ADB), donor loans and grants to the country totaled \$10 billion in 2008, coming mostly from the World Bank, the ADB itself and the government of Japan. Despite the 2006 coup, the ADB entered into a five-year Country Partnership Strategy with Thailand in 2007, the first ever of its type between the bank and a middle-income country. The military's negative role in the persistent southern secessionist insurgency has not helped in relations with donors,

Effective use of support

however. For the most part, 2008 donor assistance is being spent on education, accountability, decentralization, agriculture/natural resource management, financial institutions restructuring, enterprise development and poverty alleviation activities.

Thailand's return to electoral democracy in late 2007 helped to build confidence among the international community that the country would once again become a reliable partner in promoting market-based democracy. Confidence soared when Samak canceled Surayud's capital controls policy. However, border clashes with Cambodia, the military's readiness to act independently of the prime minister, and the increasingly strident PAD (all forces evident in 2008) raised doubts as to the government's reliability and staying power. When the judiciary forced Samak out of his job, his successor Somchai was faced with litigation challenges, an even more abrasive PAD, violence in the streets and potential civil war. Only in December, with the rise to power of the new anti-Thaksin Abhisit government (and its backing by the army), did the international community begin to trust again that the administration might be able to perform. However, significant doubts as to how long the government would last remained.

Credibility

Thailand participates in a number of regional organizations, including the Association of Southeast Asian Nations (ASEAN), the Asia-Pacific Economic Cooperation (APEC), the Asia-Europe Meeting (ASEM), the ARF (ASEAN Regional Forum), the Greater Mekong Sub-region (GMS), the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), the Ayewaddy-Chao Phraya-Mekong Economic Cooperation Strategy (ACMECS), and the Asian Cooperation Dialogue (ACD). Both the ACMECS and the ACD were the brainchildren of Prime Minister Thaksin. His goal of turning Thailand into an aid donor has led to rising levels of Thai official development assistance (ODA). In 2007 Thailand engaged in 138 ODA projects, worth a total of 1.5 billion baht. ODA averaged 12% – 15% of the country's gross national income, with approximately 75% of the total going to infrastructure development projects in neighboring countries. Under Thaksin, the country began to acquire much more regional clout. But the realization of this dream remains unfulfilled given negative perceptions toward the country fueled by the state's mistreatment of Malay Muslims in the south, and the apparent inability of the government to administer the country in the face of PAD protests. In addition, Thailand continues to be criticized by human rights groups for mistreating refugees from Myanmar and Laos, as well as for its close relations with the pariah military regime in Myanmar. Furthermore, in 2008 there were violent clashes on the border between Thailand and Cambodia. The intensifying frontier friction placed a strain on Thai-Cambodian relations for the near future. Finally, though external actors expressed support for Thailand's return to democracy, by January 2009 most were discouraged by the country's domestic turmoil.

Regional
cooperation

Strategic Outlook

Thailand today finds itself hampered by the intermingling of mounting political and economic instability. The country's once vibrant economy is increasingly sluggish due to three years of growing political turmoil. This unrest owes much to the heightened polarization between two groups: rural masses favoring Thaksin's populist programs and urban elites who viewed Thaksin as attempting to dominate the economy, and saw his government as authoritarian to the point of threatening the king. Representative democracy is on the wane, with political parties today becoming little more than sideshows. Real power is showing itself as a conflict between Thaksin and royalist elites, reflected in dialectically opposed, potentially violent mass movements. Since mid-2007, two other crucial players have wielded significant power, including an increasingly politicized (and powerful) military and the strengthened judiciary. The 2007 constitution diluted the power of elected representatives in favor of these institutions, perhaps marking a return to the country's past. Thai democratic institutions have only barely weathered the storm of these events. Meanwhile, crony capitalism is rearing its head ever higher as politically powerful economic players dominate the market. Finally, a Malay-Muslim insurgency continues to rage in the country's far south.

Thailand's political actors face enormous challenges ahead. While royalists, the military and upper class urbanites clearly despise Thaksin, the man and his supporters are unlikely to disappear. However, Thaksin and his loyalists must recognize that his opponents too cannot be ignored. The greatest challenge for Thais is thus to build a national consensus through which to achieve stability in the country. This will require compromise on both sides. The old order's co-optation of a Thaksin willing to accommodate some of their goals could be an effective strategy. Meanwhile, constitutional reforms which explicitly push the military back to its barracks and place it under control of the prime minister are necessary. Charter changes may also be necessary to forestall the "judicialization" of Thai politics, whereby whole political parties have been dissolved due to the illegal activities of individual politicians. Thais need to ensure that distrust of politicians such as Thaksin does not devolve into the re-creation of a bureaucratic polity in which accountability and transparency become compromised. At the same time, elected prime ministers should not be allowed to run roughshod over the constitution or establish a semi-authoritarian regime, as Thaksin attempted to do. The goal is to have one coherent government responsive to the rule of law, with a military and police subservient to its direction. Voters need greater civic education to ensure their active participation in a democracy where vote-buying is discouraged. Thailand's elites must accept the populist socioeconomic reforms initiated by Thaksin, and future governments must build on these. Elected civilian administrations should continue advancing market economic reforms to facilitate a more open economy. Meanwhile, economic and social development must be increasingly robust and sustainable. Finally, the government must work expeditiously, transparently and ardently towards improving troubled relations in the far south between the state and embittered Malay Muslims, a situation which has contributed to bloodshed in the region.