BTI 2012 | Thailand Country Report

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This report is part of the Bertelsmann Stiftung's Transformation Index (BTI) 2012. The BTI is a global assessment of transition processes in which the state of democracy and market economy as well as the quality of political management in 128 transformation and developing countries are evaluated.

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Key Indicators

Population	mn.	**69.1**	HDI	**0.682**	GDP p.c.	$	**8554**
Pop. growth[1]	% p.a.	**0.6**	HDI rank of 187	**103**	Gini Index		**53.6**
Life expectancy	years	**74**	UN Education Index	**0.597**	Poverty[3]	%	**26.5**
Urban population	%	**34.0**	Gender inequality[2]	**0.382**	Aid per capita	$	**-1.1**

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

Executive Summary

The period under review began with the formation of a new coalition government in December 2008. Incoming Democrat Prime Minister Abhisit Vechachiwa was immediately faced with a crisis of legitimacy, given that supporters of former Prime Minister Thaksin Shinawatra viewed Abhisit as merely a puppet for reactionary interests and the armed forces. Supporters of the United Front for Democracy against Dictatorship (UDD), also known as "red shirts," began rallies of increasing intensity against the Abhisit government. In April 2009 and again in March – May 2010, UDD rallies turned out thousands of protestors. However, these demonstrations were ultimately repressed by the military. Abhisit's government made use of the internal security act and emergency decrees, depending upon support from the armed forces to survive in office. His government appeased the military by granting it both an expanded budget and greater autonomy from civilian control. At the end of 2010, the Democrat party was acquitted in a corruption case, which allowed it to remain in office. As the review period closed, a new general election was slated to occur no later than the end of 2011, promising again to pit pro- and anti-Thaksin forces against each other in a contest that could well decide the future course of Thai politics. Meanwhile, Thai-Cambodian relations have been tense since 2008, with the rise in hostilities triggered by the question of which country rightfully owns territory abutting an ancient temple straddling a common border. In late December 2010, the relationship deteriorated further when a group of nationalist Thais (including one sitting politician) strayed across the frontier and were detained by Cambodian authorities. In early 2011, troops from the two countries engaged each other in military clashes. This resulted in several soldiers killed in action. In addition to strained Thai-Cambodian relations, Thailand's own southern Malay Muslim insurgency continued unabated.

Thailand has moved away from purely democratic norms, given that nonelected actors (the monarchy, the Privy Council and the military) have increasingly exerted veto power over popularly elected representatives' effective governing capability. In addition, political

polarization between two diametrically opposed civil society groups has moved Thailand toward the brink of conflict. This acrimony, originally founded on support for or opposition to Thaksin, is increasingly becoming a conflict with roots in socioeconomic and class-based issues.

History and Characteristics of Transformation

Since the end of absolute monarchy in 1932, Thailand has experienced 12 successful coups and 18 constitutions. A vicious cycle of coups, new constitutions and renewed coups seems to have overshadowed Thailand's contemporary history. Thus, political parties, weakly cohering, have only slowly evolved. Paralleling such political instability has been the slow emergence 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.

This 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. The combination of his wealth and his populist policies 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 intraparty 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. In this way, Thaksin tried to enhance his executive power while leaving little room for checks and balances.

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. Moreover, Thailand moved to become a donor nation for its neighbors. Ultimately, Thaksin was the country's first prime minister to complete an entire term of office, and was overwhelmingly reelected 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 officers, academics, and businesses that 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." Though Thaksin had been duly elected, his opponents accused him of running roughshod over the rule of law. Others pointed to Thaksin's political manipulation of leadership changes in the armed forces, and his challenges to Privy Council Chairman Prem Tinsulanonda and allegedly even to the palace. In late 2005, an anti-Thaksin movement of rights activists and royalists (the People's Alliance for Democracy, PAD) began demonstrating against Thaksin.

In September 2006, Thaksin was toppled by a military coup and forced into exile. Subsequently, a new constitution was enacted which weakened the power of political parties. In December 2007, new elections brought a pro-Thaksin government to office, but this was dissolved by the judiciary in December 2008 on the grounds of electoral malfeasance. Afterward, the military helped to cobble together a new anti-Thaksin government. This administration remained in office through the end of the review period (thanks to military support) despite fierce protests by pro-Thaksin (UDD) demonstrators. Meanwhile, since 2007, the judiciary and other ostensibly independent bodies have appeared to become tools of the anti-Thaksin movement, working to prosecute him, his allies and those political parties which seem supportive of him. As of the time of writing, new elections were expected by the end of 2011.

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

Transformation Status

I. Political Transformation

1 | Stateness

Question Score

The state generally possesses a monopoly on the use of force. Aside from the state, ethnic militias informally situated on the border with Myanmar are at war with that government. In addition, Malay Muslim extremist insurgents have been battling the Thai army in the far south. Growing political polarization driven by the ouster of Prime Minister Thaksin Shinawatra has produced two diametrically opposed mobs, each of which has used violence in pursuit of their objectives. Elements of each group are reportedly connected with members of the security sector and have received military training. The first is the anti-Thaksin PAD, whose members typically wear yellow shirts. The second is the pro-Thaksin UDD, whose members wear red shirts. Finally, organized crime and local godfathers (jao pho) constitute potential limits to the state's monopoly on the use of force at the local level, as they have access to force.

Monopoly on the use of force
6

Ambiguous boundaries, numerous minority ethnicities and religions, and a complicated citizenship process have made identity building in Thailand complicated. In 2010, the United Nations reported that many hill tribe peoples lack citizenship, which makes them ineligible to vote, possess land, go to schools or be protected by labor laws. The Thai government does not give hill-tribe populations Thai citizenship at birth, refuses to help hill-tribe children learn their own tongue, and has evicted many hill tribes from forested areas to make way for national parks. In southern Thailand, attempts at "Thaification" have produced 100 years of violence between southern Thai Malay Muslims and the government. As of the end of 2010, close to 4000 people had died due to insurgency-related violence in recent years. Though insurgents are a minority, state authorities have shown prejudice against the entire southern Malay Muslim population, a situation which has caused growing numbers in this group to question state legitimacy. The Thai government has refused to implement the proposals of its own National Reconciliation

State identity
7

Commission for the South, which included the establishment of Malay as a working language, and the institution of greater regional autonomy.

No interference of religious dogmas
7

According to the 2007 constitution, discrimination on the grounds of religious belief is illegal. However, Buddhism is one of the key pillars of the Thai national identity. The charter also stipulates that the king must be a Buddhist. Symbols of Thailand's Buddhist king adorn virtually every home, business and 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 Malay Muslim schools in the far south as well as non-Buddhist Christian hill-tribe communities.

Basic administration
7

Thailand possesses a centralized, top-down bureaucracy. The civil service is occasionally slow to fulfill its functions, and is sometimes corrupt. Decentralization reforms began to be put into effect after 1994, and by 2003 Thailand had elections at the province, municipality and sub-district level. 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 have diminished in quality. Governors (which are still appointed) and elected provincial administrative organizations have overlapping responsibilities, although the latter remain particularly weak. Moreover, appointed governors and the chief executives of provincial administrative organizations come often into conflict. The administration of basic infrastructure has been impressive compared to that in neighboring countries. Free education is guaranteed by the constitution, while a form of universal health care has been implemented. Transportation and clean water are accessible and affordable. Nevertheless, there remains a disparity in administrative quality between Bangkok and Thailand's rural areas.

2 | Political Participation

Free and fair elections
6

Though Thailand's 2007 charter allows for universal suffrage, Buddhist monks cannot vote and the voting rights of many ethnic minorities (especially hill-tribe peoples) are essentially nullified by their inability to document citizenship. The 2007 election (the last held as of the close of the review period) was monitored by the armed forces. The Asian Network for Free Elections (ANFREL) reported that soldiers intimidated the pro-Thaksin People's Power Party (PPP). During the campaign, the state had substantial control over the media, and extensive vote-buying took place both by the military and those against the military. In addition,

the 2007 charter transformed the upper parliamentary house from being fully elected to being half elected (76 senators) and half appointed (74 senators). One senator was elected from each province (using a plurality system, with provinces serving as electoral districts), while the remaining 74 were chosen by a selection committee. Of the appointed members, close to 10% were retired military officers. Members of this new half-elected Senate, which reflects a decline in the quality of Thai democracy, took office in March 2008 and will continue in office until 2014. As of the time of writing, the planned 2001 election promised to be highly contested; media and NGO reports indicated that government, administration, military and other forces would try hard to prevent political parties and candidates close to former Prime Minister Thaksin and the red shirt movement from winning a plurality in the election; the means employed seem to include illegal practices and the use of force.

Effective power to govern
2

Thailand is a constitutional monarchy with an elected prime minister as head of government, an elected House of Representatives and a Senate which is half-elected, half-appointed. Officially, the executive and legislative branches have the effective power to govern. However, there are significant veto powers and political enclaves which inhibit government performance. The royal family (specifically Thailand's king) towers above Thai politics, though it does not officially involve itself in political affairs. The king can veto any law, dissolve parliament, and must endorse all legislation. Similarly, the king's Privy Council –under Privy Council Chair Prem Tinsulanonda – stands above most government scrutiny while enjoying opaque influence that sometimes lies outside the law. Finally, Thailand's elected government has been increasingly unable to exert civilian supremacy over the military. Many observers – Thai and international alike – agree that de facto, the military can exert a veto on every political decision (although it prefers to limit its role to exerting influence behind the scenes). Various moves, symbolic actions and decisions by the military – including the lifting of the state of emergency in late 2010 without informing the prime minister prior to military spokespersons' announcement – have demonstrated the very limited authority of the civilian government over the military.

While the prime minister is head of government and as such ostensibly controls the armed forces, his or her genuine authority actually depends upon the willingness of the army's chief of staff to accede to the prime minister's wishes. Indeed, the army, navy, air force and police occasionally fail to respond to prime ministerial calls to arms. Within the army, factional fissures have weakened military unity. However, a single faction favored by the palace has recently served to pull the military together. The king has his own royal guard, which answers to him alone. Though all the military services are loyal to the monarch, the king has from time to time been involved in political affairs both directly or indirectly. The Royal Thai Police (including the Border Police), the Volunteer Defense Corps, and the Paramilitary

Rangers remain officially separate and independent from the military. However, since 2007 – 2008, the army has achieved hierarchical domination over all security-sector areas. Though far from the official center of power, soldiers and police forces have monopolized power to an ever greater degree, generally escaping any scrutiny by the central authorities.

In addition, while the prime minister technically controls the annual appointments of senior military officers, actually using these nominal powers would run the risk of triggering a military coup d'état.

Association / assembly rights
5

Although under the 2007 constitution, associations, organizations and NGOs are allowed to form, they must be registered, must not be immoral and cannot create an economic monopoly. Political parties are allowed to form if they accept a democratic form of government under the king as head of state. One controversial aspect of the 2007 constitution (relating to assembly rights) states that when a party executive engages in electoral irregularities, the entire party can be dissolved and all executives banned from politics for five years. Such laws have been applied to ban political parties associated with ousted Prime Minister Thaksin Shinawatra. Though the 2007 constitution may appear to have increased assembly rights in some ways, the government can still use criminal law, the Martial Law Order, the Emergency Decree and the Internal Security Act to quell unwanted demonstrations. On many occasions since 2009, the Internal Security Act has been used to squelch pro-Thaksin demonstrations. Since March 2010, the even harsher Emergency Decree has been in effect in Bangkok and other parts of the country to guarantee order despite UDD protests. The decree legitimized the deaths of 91 demonstrators, as well as the injury of more than 2,000 demonstrators when the military cracked down on a UDD protest in May 2010. Those affected most by "security" decrees have been pro-Thaksin demonstrators, ethnic minority assemblages (southern Thai Muslims and northern hill-tribes people), refugees, and non-governmental organizations seen as inimical to pariah states such as Myanmar (an ally of Thailand). Such groups have been harassed by Thai security forces. At other times, when demonstrators have been physically beaten by opponents, the Thai state has done nothing to protect the protestors. In 2010, assembly rights have become increasingly precarious in Thailand, except for those groups opposed to Thaksin.

Freedom of expression
5

Though the 2007 constitution restored guarantees of the freedom of expression, in 2007 the military oversaw passage of a very restrictive Internet crime law (establishing five-year prison sentences for false publication). In association with this Computer Crimes Act, the Ministry of Information and Communication Technology (MICT) set up a police task force in August 2009 to monitor Internet content, effectively blocking the public's access to controversial websites within Thailand. In 2010, around 75,000 websites were being blocked by the state for being a danger to national security. Moreover, increased controls have been implemented within the state-run broadcasting sector and the media in general.

Indeed, the government controls all six main television stations, as well as 525 radio stations. Private television and radio stations are subject to government censorship. One prominent private media outlet – ASTV – that is allowed to operate by the state is virulently biased against Thaksin. In 2009, and again in 2010, private pro-Thaksin television and radio stations were pressured to stop their operations. A 2007 Publishing Registration Act made it easier to launch defamation suits against journalists. The result has been a silencing of journalists who might otherwise criticize the government. Moreover, many journalists practice self-censorship, realizing the risk (in of the form of defamation charges) of angering state authorities, particularly on controversial issues. This was epitomized by the absence of local reporting on Jiranuch (Prachathai's editor), who was accused of publishing anti-government comments on her website. Meanwhile, the 2008 Internal Security Act has allowed the military's Internal Security Operations Command (ISOC) to suspend press freedom should "new forms of threats" emerge.

The media has also continued to be challenged by harsh lèse-majesté (criticism of monarch) laws. It was estimated in 2009 that the Thai government was pursuing as many as 3,000 such cases, including against foreigners who were not even in Thailand when they committed the alleged crime. Few journalists dare to examine issues related to the palace for fear of prosecution related to lèse-majesté. Since the March – May 2010 protests by the pro-Thaksin UDD, freedom of expression has gone into a steep decline, according to a recent Thammasat University report. Despite rising censorship, the structure of Thailand's media sector is today one of the most developed in Asia. Though pro-Thaksin, anti-palace and pro-insurgency opinions are excluded, the state allows a plethora of other views to be expressed in broadcast media, Internet forums, newspapers and radio broadcasts. These views include diverse opinions relating to the insurgency in the south, the hill tribes in the north, and Thailand's relations with other countries.

3 | Rule of Law

Separation of powers
4

After Thailand's 2006 – 2007 military interim government, the 2007 constitution reestablished, at least on paper, a separation of powers with a significantly strengthened judiciary and independent organizations such as the Election Commission. In 2008, the popularly elected pro-Thaksin executive and legislative branches increasingly clashed with the courts. 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. As it became increasingly politicized, the judiciary forced the resignation of the speaker of the House of Representatives, the foreign minister and two prime ministers. The Constitutional Court also compelled the dissolution of three political parties, which led directly to the fall of the pro-Thaksin

ruling coalition at the end of 2008. Since 2008, the anti-Thaksin governing coalition led by Democrat Abhisit Vechachiwa has maintained cordial ties to the judiciary. Regardless, in late 2009, a court ruling dismissed a Democrat member of parliament from his lower house seat. At the end of 2010, the Constitution Court refused to address corruption charges against the Democrat Party which could have led to the party's dissolution. Just prior to the verdict, a video clip appeared that revealed inappropriate discussions about the case between a court aide and members of the Democrat Party.

Independent judiciary
5

Under the military government, the judiciary and other independent or quasi-judicial bodies including the National Anti-Corruption Commission, the Office of the Auditor General, and the National Human Rights Commission were given more power, and a new Assets Examination Commission (AEC) was created. However, the process of appointing these organizations' heads was changed to give the executive much less control, while the power of selecting AEC heads was given to the military-appointed National Legislative Assembly. Almost every case brought before these bodies involving Thaksin or a political party associated with him has resulted in judgments against the defendants. 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 related to Thaksin, the judiciary remains well-differentiated and independent, though bribery allegations do occur.

Prosecution of office abuse
6

After the 2007 constitution's enactment and the strengthening (or establishment) of various courts and monitoring agencies, scrutiny of political officeholders' conduct was sharply tightened. The Thai Rak Thai party was dissolved in 2007, following evidence of malfeasance, and its executives were banned from politics for five years. Meanwhile, following the 2007 general election, the Election Commission disqualified many successful candidates, forcing new elections in various constituencies. The conviction of a People's Power Party (PPP) legislator (who was also a party executive) on electoral corruption charges led to the dissolution of the PPP in December 2008. Two other parties experienced the same fate. The executives of all three parties were banned from politics for five years. In 2008, both former Prime Minister Thaksin and his wife Pojaman were separately convicted on corruption-related charges. Simultaneously, Prime Minister Samak Sundaravej was forced to resign his position because he took a small amount of money for appearing on a television show. His successor Prime Minister Somchai Wongsawat was forced from office when his coalition fell in December 2008, when his party was dissolved after an executive member was convicted of malfeasance. In late 2009, a Democrat member of parliament was convicted for malfeasance and expelled from office. However, the Democrats were twice found not guilty of corruption in 2010 (because of technicalities) and continue to survive as a political party. By late 2010, the judiciary was continuing to pursue politicians and parties on

malfeasance-related charges. These events showed that the prosecution of possibly corrupt officeholders (especially those linked with Thaksin) has become much more rigorous.

Civil rights
4

In 2011, Thailand's overall record on human rights, freedom of movement and access to justice continues to be spotty. Since the 2003 "drug war" (which led to almost 3000 extrajudicial killings), there have been very few prosecutions of security personnel alleged to have engaged in rights violations. Moreover, since the 2004 mushrooming of the insurgency in Thailand's far south, both the Thai military and insurgents have engaged in gross violations of human rights. Thai security forces have carried out extrajudicial killings, arbitrary arrests, torture, and disappearances of Muslims known or thought to be involved with rebels. Meanwhile, in early 2009, the Thai military forced a large number of Rohyinga refugees out into the open sea, away from Thailand. In January 2010, the military forcibly deported thousands of Hmong migrants back to Lao PDR, even though many possessed legal refugee status. The Thai government is increasingly pressuring refugees along the Thai-Myanmar border to return to Myanmar, threatening forcible deportation. In April 2009, the Thai military forcibly quelled a UDD demonstration, leading to as many as 120 injuries, two deaths, and the detention of several UDD leaders. Between March and May 2010, UDD demonstrators again launched a series of protests. Eventually, on May 19, the protests were broken up by the Thai military, and UDD leaders were again detained. The 10-week protest resulted in 91 deaths and over 2000 injuries. From March until December, 2010, the government imposed an emergency decree, which facilitated greater state repression with legal impunity. In December 2010, an internal security law was substituted for this decree, which was better in some respects but continued to restrict many rights. Arrests were made on a more frequent basis: A market vendor was even arrested for selling shoes with the face of the prime minister on the sole. Ultimately, abuses of civil rights have been prevalent, especially since 2009. Since 2007, human rights workers and journalists have disappeared or been assassinated in growing numbers.

4 | Stability of Democratic Institutions

Performance of democratic institutions
3

After the December 2007 general election, Thailand embarked on what appeared to be a return to stable democracy. However, friction quickly emerged between the judiciary on one side and the executive and legislative branches on the other, as the courts began to try cases against Prime Minister Samak and his successor Prime Minister Somchai. Simultaneously, lawsuits seeking party dissolution were brought against the parties in the ruling coalition. The administration sought – unsuccessfully – to derail the cases by altering the constitution. The government also had a tense relationship with the armed forces, which often refused to

cooperate with it. By December 2008, the judiciary had forced two prime ministers and one coalition government from office. However, the military demonstrated its political influence by helping to cobble together a new coalition government at the end of 2008. This new coalition, headed by Democrat Prime Minister Abhisit Vechachiwa, found itself immediately stymied in its search for united popular support. UDD demonstrations in April 2009 and again in March – May 2010 hindered the performance of Thai democratic institutions. Likewise, the Abhisit government's imposition of a state of emergency in April – December 2010 prevented the full expression of liberal democracy. In December 2010, the emergency decree was replaced by an internal security law, which granted the populace a wider range of rights but still prevented the normal functioning of democratic institutions. By 2011, the trend toward the weakening of democratic institutions seemed to have taken hold.

Commitment to democratic institutions
3

A large majority of Thais supported the elections of 2007, given that they were wary of the 2006 – 2007 military dictatorship. In 2008, the PAD initiated a permanent sit-in demonstration in parts of Bangkok, accusing the government of corruption and treason against the king. They called for a new electoral system, in which the parliament would be composed of 30% elected members and 70% appointed members. In response to PAD's "yellow shirt" demonstrations, a pro-Thaksin United front of Democracy against Dictatorship (UDD) "red shirt" movement began to evolve. By 2009, pro-Thaksin groups viewed the military and courts as mechanisms of extra-constitutional force, while anti-Thaksin forces remained virulently opposed to any pro-Thaksin government, even one elected by the people. The growing polarization led to demonstrations by the UDD against the Abhisit government in 2009 and 2010. These protests turned violent as soldiers ended up fighting protestors. By late 2010, Thailand appeared to have become an arena of struggle between royalist elite entrepreneurs and their opponents (who either supported Thaksin or were class-oriented), taking attention away from any genuine commitment to democratic institutions.

5 | Political and Social Integration

Party system
4

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 nonidealistic. Most tend to be power-seeking, looking to achieve office as a means of extracting rents, thereby recouping election losses and rewarding supporters. Perhaps the only exception to this is the Democrat Party, which tends to be comparatively less factious and more coherently institutionalized. However, all parties have been created from the top down, driven by parliamentary, military or business elites. Some parties are vertical structures revolving around the personality of the leader. Others are decentralized

entourages of various factions. Some factions even live longer than parties. Rank-and-file members have little influence over party decisions. Further characteristics include frequent party switching and a general lack of transparency with respect to party operations.

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 nonexecutive members simply reinvented themselves by forming new parties. In December 2010, the judiciary refused to indict the Democrat Party for electoral irregularities. Thus, in 2011, three primary political parties compete for power: the Democrats, Bhumjai Thai and the pro-Thaksin Puea Thai, although there are other smaller parties as well.

Interest groups
5

The strength of societal organizations and interest groups depends upon the sector. Business associations, given their connections with political parties and bureaucrats, have been especially effective in influencing government policy. Labor unions, traditionally repressed by the state, 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. Union rights have been increasingly limited since the rise of the Abhisit government in late 2008. In recent years, state-NGO relations have become increasingly antagonistic. Moreover, local NGOs have been criticized for being overly influenced by foreign donors.

Approval of democracy
n/a

Survey data has shown that at least since 1988, Thai citizens have demonstrated high levels of consent to democracy. However, in general, urban Thais appear to conceptualize democracy differently than do rural Thais. Urban Thais, who are in general more educated and prosperous than their rural counterparts, have often placed comparatively more emphasis on the rule of law and civil liberties. Rural Thais, however, place more stress on mass or popular democracy. However, this trend changed in 2009 and 2010, when rural Thais supporting the UDD backed enhanced civil liberties in order to promote their progressive political agenda, while many urban Thais, who supported the PAD, backed the quelling of UDD protests. While quantifiable data on the subject is lacking, many Thais did support Thaksin Shinawatra's semi-authoritarianism when he was in power. Thaksin's opponents were relieved by his ouster in the 2006 coup. By the same token, they began to fear democracy as a means by which unscrupulous populist autocrats might "democratically" maneuver themselves into office. This skepticism was especially strong among PAD leaders, who accused rural voters of selling their votes, thereby allowing corrupt politicians to come to power. In December 2008, many Thais opposed to Thaksin gave their support to the formation of a new coalition headed by the Democrats, even though the military had driven the creation of this anti-Thaksin government, an event that violated the norms of pluralistic democracy. Many of these Thais also supported the Democrat government's application of the

emergency decree in 2009 and again in 2010. Indeed, the emergency decree placed strict limits on democratic activity. Meanwhile, many of those opposed to the government in March – May 2010 seemed prepared to support nondemocratic measures in seeking to overturn the Abhisit government.

Social capital
5

Voluntary social self-organization for purposes of self-help has a long history in Thailand. In rural areas, farmers have long helped each other with the planting, transplanting and harvesting of rice. Village communities often work together to prepare festivals, build homes, ensure an adequate food supply or protect the village from danger.

In terms of social capital, family and kin groups have served as crucial actors expediting collective action. Meanwhile, already-tight community groups have helped to make the decentralization of administrative capacities a successful phenomenon in Thailand. Dense networks of mechanisms and structures have propelled forward business associations, unions and NGOs. Thailand's government has worked to spark greater social-capital-based relationships. A 2006 World Bank study found that Thailand's Social Investment Fund had proven successful in enhancing social capital at the village level. Some have feared, however, that such community mobilization was not enough to cushion Thais from the effects of global economic crisis in 2008 – 2010. More broadly, Thai civil society has long had an antagonistic relationship with the government, especially regarding the environment, refugees, farming, and issues of democracy. The deep political polarization between pro-Thaksin and anti-Thaksin groups has torn communities and even families apart. A rural-urban divide continues to pose a challenge to political and social integration. Ultimately, though there are a large number of civic organizations, these tend to be unevenly distributed, spontaneously organized, and often centered on a single personality, with the result that there is only a middling level of trust among the population.

II. Economic Transformation

Question
Score

6 | Level of Socioeconomic Development

Socioeconomic barriers
6

Overall, Thailand's socioeconomic development has continued to improve despite a slight drop on the UNDP's Human Development Index (HDI) scale (where it is falls into the category of medium human development) since 2005. The country earned a 2010 HDI value of 0.654 and an HDI ranking of 92 out of 169 countries (according to the 2010 Human Development Report), while its 2010 per capita GDP was $8,643.60 (on a purchasing-power party basis) alongside a moderately growing

economy. Its HDI value has slightly diminished since 2008. The World Bank continues to classify 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 triggered rising disparity between Thailand's rich and poor, as well as among geographic regions (e.g., Bangkok versus provincial Thailand). In the wake of the 1997 financial crisis, the economy contracted, inflation skyrocketed, unemployment soared and income levels plummeted. Consequently, poverty rates increased while living standards fell. The decade after the crisis has seen the gradual recovery of Thailand's economy. However, following the 2006 coup, Thailand again experienced an economic slowdown. In 2008, amid rising inflation and living costs, the Samak government introduced several new support measures, including free commuter service on third-class buses and trains, and began work on five megaprojects, 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 clean water. These indicators suggest that socioeconomic development has continued to improve. 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. Indeed, 10 % of Thais live below the poverty line. These problems have been most acute among northern ethnic minorities (many of whom lack citizenship), Malay Muslims in the far south (where insurgency has impeded development efforts) and in the country's populous northeast (where two-thirds of Thailand's impoverished citizens reside). In 2011, levels of inequality in Thailand remain among East Asia's highest, and may have helped to facilitate the growing political conflict.

Economic indicators		2007	2008	2009	**2010**
GDP	$ mn.	246977.0	272577.8	263505.0	**318522.3**
GDP growth	%	5.0	2.5	-2.3	**7.8**
Inflation (CPI)	%	2.3	5.4	-0.9	**3.3**
Unemployment	%	1.2	1.2	1.2	**-**

Economic indicators		2007	2008	2009	**2010**
Foreign direct investment	% of GDP	4.6	3.1	1.9	**2.0**
Export growth	%	7.8	5.1	-12.5	**14.7**
Import growth	%	4.4	8.9	-21.5	**21.5**
Current account balance	$ mn.	15677.5	2210.8	21861.2	**14753.7**
Public debt	% of GDP	38.3	37.3	45.2	**44.1**
External debt	$ mn.	45306.1	49838.6	57886.3	**71262.7**
Total debt service	$ mn.	22223.7	17006.9	12426.5	**11287.9**
Cash surplus or deficit	% of GDP	0.1	0.5	-3.0	**-**
Tax revenue	% of GDP	16.1	16.4	15.2	**-**
Government consumption	% of GDP	12.2	12.3	13.4	**13.0**
Public expnd. on edu.	% of GDP	3.8	3.8	4.1	**-**
Public expnd. on health	% of GDP	3.7	4.1	4.3	**-**
R&D expenditure	% of GDP	-	-	-	**-**
Military expenditure	% of GDP	1.3	1.6	1.9	**-**

Sources: The World Bank, World Development Indicators 2011 | International Monetary Fund (IMF), World Economic Outlook 2011 | Stockholm International Pease Research Institute (SIPRI), Military Expenditure Database 2011.

7 | Organization of the Market and Competition

Market-based competition

7

Thailand is officially a pro-business country, with laws intended to attract foreign investment and a constitution guaranteeing the presence of a free-market system. Yet despite efforts to institutionalize market competition more fully, the situation today remains flawed. Though efforts were made to deregulate industry and make the country more transparent following the 1997 financial crisis, the process of bidding for contracts has remained somewhat opaque. The persistent influence of economic heavyweights continues to hinder the development of Thailand's financial sector. The country continues to have a large underground economy and informal sector, from which many Thais derive their earnings. According to the UNDP (2010), approximately 60% of the total workforce is employed in the informal sector. Moreover, the informal sector is responsible for producing over 50%% of the gross domestic product. The informal sector accounts for a large share of enterprises in all of the various sectors, including agriculture, manufacturing, trade and services. Though women have traditionally made up a large proportion of Thailand's informal sector employment, layoffs relating first to the 1997 Asian

financial crisis and more recently to the 2008 global economic recession resulted in a significant number of men being absorbed into the informal labor market as well.

Anti-monopoly policy
5

Responding to the crony capitalism that contributed to the 1997 meltdown, the Chuan Leekpai 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 held by private parties. Under the TCC, guilty parties were subject to three years' imprisonment, a fine of THB 6 million or both. But the act has proved to be relatively ineffective, due to the numerous exemptions accorded to state-owned companies, public agencies and even influential individuals. Pressure from big business, apparent government indifference, and a lack of adequate enforcement ultimately hindered TCC efforts. The administration of Thaksin Shinawatra, himself a politician-businessman with very substantial corporate interests, did little to improve the law. 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). In 2009, the Commerce Ministry opened probes into 80 additional firms. Yet with criticisms building over the body's ineffectiveness, in 2010 the government began looking into ways to overhaul the TCC, especially in terms of giving its commissioners more authority, clarifying the act's implementation guidelines, and eliminating obstacles to the law's enforcement. However, as the review period closed in 2011, it appeared that little had changed in Thailand. Crony capitalism continues to be dominant. The TCC continues to appear as 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 better insulated from business influence, possessed more power to enact laws, and had a larger budget.

Liberalization of foreign trade
7

Although the IMF and WTO have successfully pressed Thailand to liberalize its foreign trade, policymakers have continued to stall in the dismantling of certain trade barriers. Indeed, in 2011, both the United States and WTO view Thailand's high tariffs as an impediment to market access in many sectors. Thailand's Foreign Business Act (FBA) forbids majority foreign ownership in most sectors. Recent changes to the act bar foreigners from utilizing nominee shareholders or preferential voting rights to control Thai companies in certain sectors. 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). As of the time of writing, an FTA with Peru was soon to be implemented, while negotiations for a Thailand-United States FTA, hindered by the successive administration changes in Thailand, had yet to be completed. Thailand is a founding member of the ASEAN Free Trade Area and in 2003 initiated the Ayeyawady-Chao Phraya-Mekong Economic

Cooperation Strategy (ACMECS), a regional trade cooperation agreement comprising Thailand, Myanmar, Laos and Vietnam. It has also 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. In 2011, the Abhisit government was continuing to promote regional trade liberalization especially within the Greater Mekong Subregion (including the ACMECS economies as well as Yunnan and Guanxi, China). However, evidence of Thailand's inability to safeguard international trade standards was reflected in 2010 by the fact that the Office of the U.S. Trade Representative placed the country on its Priority Watch List for the fourth year in a row. This action was taken in part because Thailand continued to hinder efforts to protect intellectual property rights on an international basis. Meanwhile, the WTO has called for Thailand to further liberalize its service sector. In late 2010, the WTO ruled that Thailand's value-added tax (VAT) policies constituted a violation of the WTO obligations governing international trade because the country imposed a higher VAT on imported products than on domestic products.

Banking system
8

Thailand has a banking system with a solid capital base. The share of nonperforming loans has declined over the years, mainly due to loan repayment, debt restructuring and nonperforming loan (NPL) sell-offs. Indeed the nonperforming loan ratio in 2011 improved to 5.3%. The banking industry has begun to show a strong loan growth of 4.3%, led by seasonally stronger loan demand by corporations and small and medium-sized enterprises (SMEs), especially in the agribusiness sector. In 2006, the government implemented Thai Capital Market Master Plan II (2006 –2010), building on Plan I; this plan had the goals of increasing overall market capitalization, providing greater fundraising efficiency and promoting savings, especially in the equity, bond and derivatives markets. The country has long promised to accede to the 2004 Basel II banking regulation standards, though it has yet to actually do so. In 2011, the Bank of Thailand (BOT) announced that the local banking industry had decided to take a strong financial position in 2010, with all banks abiding by the Basel II and III Accords. 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) of 2010 – 2014, building on the 2004 FSMP I. Under FSMP II, among other provisions, new and existing foreign financial subsidiaries would become eligible in 2012 to open as many as 20 new branches and 20 off-site ATMs. The Thai government hoped that the further expansion of foreign banks' presence would strengthen the competitiveness of domestic commercial banks. Meanwhile the state has sought to enhance banking transparency. Fourteen of 18 Thai banks are listed on the Stock Exchange of Thailand (SET), ensuring banking transparency at least for these listed institutions. In 2009, Thailand showed an overall increase in its ratio of capital to assets at risk, to 14.9%. Nevertheless, market capitalization within the

SET has been unstable. In 2010, daily turnover at the Stock Exchange of Thailand (SET) and Market for Alternative Investment (MAI) hit a record high of THB 29 billion. According to the SET, the value of total capitalization was 59.47% more than in 2009. Moreover, total market capitalization represented 82% of the country's gross domestic product (GDP), the highest percentage since 1996. In early 2011, though stocks have risen in value, the market remains highly volatile. One Thai economist warned that the SET could drop suddenly if Thailand's political situation remains chaotic or if the global economic downturn continues. Market capitalization declined from THB 5.05 trillion in September 2006 to THB 3.10 trillion in October 2008. The government has sought to inject funding sufficient to shore up the local exchange. Most Thai banks continue to perform profitably but with modest capital levels.

8 | Currency and Price Stability

Anti-inflation / forex policy
7

Curbing inflation has been a problem for Thai governments in recent several years. From 2000 to 2010, the inflation rate in Thailand averaged 2.51%. In July 2008, it hit a high of 9.2% (although core inflation, excluding fuel and natural gas, stood at 3.7% during this period). The Bank of Thailand made several adjustments, including an increase in the interest rate, to force a decline in inflation. In August 2008, as oil prices plummeted, inflation began to decline. By 2009, inflation fell to zero and it was feared that deflation would soon be a potential threat. However, by mid-2010, inflation had risen again to 3.3%, and in 2011 it had moderated to 3.0%. The Stock Exchange of Thailand (SET) Index rose throughout the second half of 2010, finishing up 41% since 2009. In 2011, SET trading volume continued to grow. Meanwhile, the BOT, which in 2007 had abandoned the managed float system, followed a flexible foreign exchange policy that permitted the baht to move in line with the market. The BOT proved willing to intervene in the baht's movement only temporarily, in cases when high volatility threatened to have a short-term impact on the private sector. In October 2010, Prasarn Trairatvorakul became the new president of the BOT. He retained the tight monetary policies of his predecessor, especially in terms of continuing high interest rates to stabilize the baht. Prasarn's five-year term ensures that for years to come, the head of the BOT will be a tight-money champion focused on restraining inflation. In this, Prasarn was supported by Democrat Finance Minister Korn Chatikavanij, who had been disappointed that the BOT had allowed the baht to appreciate at the cost of export effectiveness. The ruling Democrats, in agreement with Prasarn, support keeping inflation in check though a balanced budget and a restricted money supply. As the government continues to apply such measures, inflation in Thailand during 2012 – 2015 will most likely remain under control.

Macrostability
7

Despite political pandemonium and the aftereffects of the 2007 – 2009 global economic meltdown, Thailand's economy has appeared increasingly stable. Since 2008, the Bank of Thailand has followed a tight monetary policy to efforts to keep inflation low. At the same time, Prime Minister Abhisit (and his predecessors) proved willing to use fiscal spending to strengthen the economy. Indeed, as the economy began to grow in early 2010, the government used fiscal expenditures to help boost growth. During the period under review, the Abhisit administration disbursed two stimulus packages worth a total of $43.4 billion aimed at shoring up the economy. This disbursement was based partly on the Democrats' populist policies. To help bring down inflation and an overvalued baht, the government has been active in issuing corporate bonds as well as expanding the bond market more generally. The key drivers of interest rates within the Thai bond market are inflation, domestic monetary policy and the U.S. Treasury market. Heavy revenue inflows at the beginning of 2010 reduced the need for the government to issue bonds to finance the fiscal deficit during this period. Indeed, the government has bought more U.S. dollars and kept them in reserve, thus increasing net international net reserves, seeking to keep the baht from appreciating further. As a result, the country's net international reserves have grown from $103.17 billion in October 2008 to $159.1 billion in September 2010. In line with the country's social and economic development plans, which mandate a public debt of no greater than 50% of GDP, the government managed to bring the public debt to 42% of GDP in early 2011.

9 | Private Property

Property rights
7

Property rights and property acquisition are loosely and informally enforced in Thailand, often depending upon level of influence. The 2010 International Property Rights Index, which covers property rights in the legal, political, physical, intellectual and gender-based realms, ranked Thailand at 59th out of 125 countries worldwide, and 10th out of 19 countries in Asia. While Vietnam and Indonesia are behind Thailand, India and Malaysia are both ranked higher. This relative scaling has changed little over the years. The Heritage Foundation's 2010 Index of Economic Freedom gives Thailand a 45% on a 0% – 100% scale of private property rights. This represents a negative shift of five percentage points since 2008. According to the report, though private property is generally protected in Thailand, legal processes are 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 persists. Finally, the government can disclose trade secrets to protect what it considers to be the public interest.

Private enterprise
7

Though Thailand continues to possess a large public sector, private firms remain crucial to the country's economy. 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, with the four government changes since the coup of 2006 also serving as a hindering factor. Some fear that further privatization, while improving market competitiveness, would also enable vested interests to gain controlling shares in important sectors. Examples of implemented privatization include the Airports of Thailand company, PTT Public Company Limited, and the Mass Communication Organization of Thailand. In 2009, the state sought to implement a partial privatization of State Railways of Thailand and most of the country's bus system. In June 2007, the Surayud government introduced legislation limiting the sectors in which state enterprises could be privatized. 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. One controversial aspect of privatization has affected the university system. In 2010, a number of universities were privatized, with the result that tuitions were raised and institutions unable to adapt to the transition simply failed.

10 | Welfare Regime

Social safety nets
6

Thailand's welfare regime has been slow to evolve. Traditionally, the family acted as the social safety net, without involvement by the state. Though welfare reform efforts began in 1954, the country's first welfare program, a simple workers' compensation fund, was established in 1974. In 1990, the state implemented a Social Security 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 intensified. 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 terms of promoting equal opportunity, affordable health care has become close to universally accessible. Under the Abhisit government, all Thai citizens can now legally receive 15 years of free basic education (nine years of

which are compulsory), as well as free textbooks. The 2011 Thailand Reform Plan guarantees all Thais access to formal education. Student loans are available for higher education. Still, disbursal of actual funding in these welfare programs has not always been forthcoming. Moreover, less than 15% of the population is actually covered by insurance. Many welfare benefits are in need of improvement. Currently, elderly and disabled persons receive only THB 500 per month. In 2010, Thailand's minimum wage was raised to between THB 151 and THB 206 ($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. In response to unemployment woes in 2008 and 2009, Thailand's Social Development and Human Security Ministry scrambled to earmark THB 1.5 billion to subsidize massive layoffs, and extended the period of unemployment compensation. In 2011, the Abhisit government inaugurated the Thailand Reform Plan, which called for ambiguous improvements in social welfare. As the review period closed, the government was working toward a comprehensive social welfare program slated to begin in 2016 – 2017, though it appeared unwilling to levy higher taxes to support the program.

Equal opportunity
6

There continues to be insufficient institutional assistance for women and minorities, who have less opportunity to access public services or serve in public office than do men. The government has promised to promote the rights of women through the Office of Women's Rights and Family Affairs, but little has in fact been done. In 2010, the Abhisit government touted its 15-year free education policy as a way to promote equal opportunity irrespective of gender. As for ethnic minorities' rights, though Thai governments since Thaksin have speeded up the process of citizenship, no specific state institution exists to assist such groups. The same is true for Malay Muslims. Non-governmental organizations have filled the void left by government deficiencies in addressing the welfare needs of impoverished women and ethnic minorities. However, NGOs have limited resources and abilities. Discrimination against and harassment of Cambodians, Burmese, Lao, Malay and other minorities is frequent. Thailand has not ratified U.N. conventions on refugees, and has forcibly repatriated Burmese, Lao refugees and Rohyinga refugees. Migrant workers (estimated to number in the millions), especially women, confront salary discrimination and on-the-job harassment. Female migrant workers are perhaps the most underprivileged and maltreated social group in Thailand, being generally ignored by Thai law.

11 | Economic Performance

Output strength
6

In the post-2008 years, Thailand has been beset by three crises affecting its economy. First, the country saw domestic political turbulence intensify, culminating in a military crackdown on pro-Thaksin demonstrators in May 2010. Second, border

spats with Cambodia have continued. Third, the global economic crisis of 2007 – 2009 undermined the market for Thai exports. As a result of this crisis, Thailand registered its highest inflation rates in a decade. Fourth, the country experienced four consecutive governments between 2006 and 2008. As a result, consumer and business confidence plummeted. On the positive side, one administration has governed Thailand since 2008, allowing for increased stability. In early 2010, amid a rebound in exports (which rose by 32%), the country experienced a renewed economic vigor (12% GDP growth year-on-year), rising industrial production, accelerating private consumption and investment levels that rebounded by 17%. As for Thailand's balance of trade, merchandise, industrial and high-technology exports in particular have risen more strongly than expected. Recovering from the low levels of 2009, and boosted by higher global oil prices, imports accelerated by 51.7% in 2010. Export growth pushed Thailand's trade surplus from $316 million in the first half of 2008 to $2.5 billion at the end of 2010. Meanwhile, unemployment dropped in parallel with the economic recovery, from 1.5% in 2009 to 0.9% in 2010. The early months of 2011 showed a decline in consumer prices and the cost of living. At the same time, the level of inflation has slightly diminished, moderating to 3.5% in 2011, a level expected to continue through 2012. Consumer demand has grown, despite a late 2010 slowdown related to severe floods. The better-than-expected 2010 economic recovery caused the Bank of Thailand to revise its growth rates for that year upwards from 4.3% – 5.8% to 6.5% – 7.5%. By the end of 2010, economic growth stood close to 8%. Meanwhile, GDP growth rose from -2.2% in 2009 to an expected 4.5% for 2012. The current account registered a surplus of $6.5 billion in the first half of 2010, a surplus that continued into 2011. Growth in both private and public consumption spending dropped in 2008, producing in combination just 1.2% of total GDP growth for that year. Fixed capital investment skyrocketed by 12.5%. Though Thailand's budget deficit for 2009 was the highest since 2009, the government promised to cap it at THB 400 billion, as part of an attempt to balance the budget by 2016. Seeking to stimulate external demand and shore up consumer confidence, the Abhisit administration implemented two stimulus packages worth a total of $43.4 billion.

The 2010 recovery was briefly disrupted by pro-Thaksin demonstrations that took place from March to May. But given that the disruption was temporary and occurred in only a small part of Bangkok, the economic impact was limited. Regardless, violent demonstrations by anti- and pro-Thaksin protestors have negatively influenced the Thai economy overall. The PAD's blockade of Thailand's two principal international airports in December 2008 was estimated to have caused economic damage of over THB 140 billion. The UDD's March – May 2010 standoff with Thai security forces was estimated to have cost at least THB 11 billion in business-related losses. Still, by late 2010, there were already signs that the protests might erupt again. Though the UDD/PAD strife has threatened Thailand's foreign investment (which has continued to weaken), the government

has sought to calm fears of any continuing instability. Ultimately, future foreign investment growth will depend upon whether political chaos again rears its head. The potential for increased economic growth will depend first on any renewed political turbulence, and second on the continuing strength of the economic recovery.

12 | Sustainability

Environmental policy
6

Environmental concerns are deemed important in Thailand, though attention is directed primarily toward economic growth. Environmental laws and standards were first introduced in 1992, with the Thaksin government later establishing a Ministry of Natural Resources and Environment. This ministry's Pollution Control Department has established controls for water, soil, air and noise. It has occasionally 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" approach to development (enshrined in the 2007 constitution) supports environmentally sustainable economic growth. Nevertheless, continuing economic growth has increasingly posed challenges to environmental conservation. Moreover, vested interests with bureaucratic connections have sometimes been able to place personal profit interests ahead of environmental welfare (e.g., a logging scandal at national parks; possible water contamination from the Chiang Mai night safari). However, foreign and local NGOs play a vital role, adding their voice to efforts to improve state environmental policy. In 2009, under Abhisit, the government announced stricter environmental regulations and stated that it had established a clearer policy direction. Under this policy, it said, no economic entity would be allowed to pollute the environment or harm people's basic health. Indeed, 29 out of 76 Map Ta Phut industrial projects were initially suspended, though only two were actually terminated. At the same time, the National Environment Board decreased the number of industrial activities considered to be harmful to the environment. Ultimately, Thailand's current environmental policy continues to be influenced by businesses seeking to maintain the status quo, but also by civil society groups seeking to put more controls in place.

Education policy / R&D
6

Thailand's educational system (primary, secondary and tertiary) covers virtually the entire country. Given that public schooling (grades one through 12) is free (grades one through nine are compulsory), school attendance is close to universal. According to the UNDP, Thai public spending on education stood at 4.7% of GDP in 2008. This represented 25.7% of government expenditures. However, from 2008 to 2010, the state expended a mere 0.2% of gross national product on research and development, with a disproportionate share given to science as opposed to social sciences and the humanities. In 2008, the IMD Competitiveness Report ranked

Thailand 53rd out of 55 countries in terms of R&D, a fall of two spots. Clearly, the country's spending in this area could stand much improvement. Meanwhile, public schools and state universities continue to suffer from overly hierarchical and inefficient administrations. The quality of Thai education generally depends on where one goes to school. In wealthier urban areas, all school levels tend to offer higher standards of teaching and better educational resources than those available in poorer rural areas. Debate over the privatization of education has intensified, with many arguing that it could increase the educational gap between rich and poor. Reducing 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 1 (indicating basic proficiency) in terms of literacy and science. Despite the presence of a far-reaching, near-equitable education system, the Thai government needs to inject research and development spending more effectively into it. The Thaksin administration was preparing for greater educational investment, including the purchase of laptop computers in schools for student use. But the 2006 coup and the multiple subsequent changes in government placed educational reforms on hold. In 2009, the Abhisit-led government inaugurated a 15-year free education program for 12 million needy Thai students. However, as a three-year economic slump continues to affect Thailand in 2011, and political problems appear to be worsening, educational outlays may be delayed.

Transformation Management

I. Level of Difficulty

Structural constraints 5

The main structural constraints on governance in Thailand are threefold, and are closely related to the path-dependent nature of Thailand's political, social and economic transformation in the 20th century. First, there is the geographically imbalanced character of socioeconomic development, with its concentration of wealth and opportunity in the capital region and the neglect of the northeastern region (Isaan). Second, there is a deep cleavage between the "wealthy and well-born" and the middle classes on the one hand, and the rural and urban lower classes on the other. While this cleavage is not only about distributional issues, the socially unjust distribution of income and wealth is definitely a major factor. Third, there is the institutional imbalance between civilian and military bureaucratic forces and civil society.

These three sets of factors create unfavorable conditions for any continued transformation toward liberal democracy and a market economy embedded in a robust framework of welfare mechanisms. The ambivalence of the military and the monarchy, combined with the hostility of government officials, are also significant obstacles on the course toward a deep and stable democratic transformation.

Civil society traditions 6

Though Thai civil society was initially rooted 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 evolve. 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 malfeasance, poor leadership and cooptation by the state continue to beset the development of Thai civil society. In recent years, new Thai "civil" society groups (in fact sometimes quite "uncivil") emerged. The PAD, for example, is allied with reactionary royalist elements who support a regression of Thai democracy. This group is well-armed and has used violence. The UDD is a broad and diverse social movement supported by businessman-politician Thaksin Shinawatra and including elements of the lower and middle classes; it has sought economic and political reforms, and has also used

violence, especially during the April 2009 and March – May 2010 protests. Both of these demonstrations were quelled by the military. The "blue shirts" are a third movement, set up to oppose the yellow shirts. A fourth organization, the multicolored shirts, was formed to oppose the UDD. As the review period closed in 2011, the continuing growth of these groups in Thai society and their increasingly frequent clashes represented a dangerous trend in Thai society. A final (much smaller) "white ribbon" group campaigns against political violence. Though there are several such groups, each with its own agenda, there is one commonality among them: They do not want to rely on the parliament as a means to resolve conflicts.

Conflict intensity
8

Four conflicts hold the potential to destabilize the country. First, there is the Malay Muslim insurgency in Thailand's southernmost provinces of Yala, Narathiwat, and Pattani. Strife in this region has killed or maimed thousands of Muslims and Buddhists. The insurgency has contributed to an increasingly hard-line stance by southern Buddhists, resulting in heightened levels of violence between Buddhists and Muslims in the area. Second, ethnic minorities hold a lingering distrust 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 extrajudicial executions left close to 3,000 people dead, many of them impoverished hill-tribe peoples. Third is the occasionally violent stand-off with Cambodia over control of border temples, in which tensions have remained high since 2008. Soldiers on both sides have been killed, and by 2011 a demarcated boundary had yet to be achieved. According to rumors, pro-Thaksin UDD activists may have undergone military training in Cambodia. In late December 2010, frictions intensified when some nationalist Thais (including one sitting politician) crossed the frontier and were detained by Cambodian authorities. Fourth, by 2011, Thai society had become violently polarized between those supporting and those opposing Thaksin Shinawatra. Rural dwellers and the lower classes strongly backed the former prime minister, while the urban middle classes and most sociopolitical elites were vehemently against him. Violence broke out as the anti-Thaksin PAD came to blows with both the police and the pro-Thaksin UDD in late 2008. At that time, the military refused to get involved. However, in April 2009 the military repressed a large UDD demonstration in Bangkok. In May 2010, following perhaps the largest and longest demonstrations in Thai history, the military again quelled UDD protests, detaining most UDD leaders. In January 2011, UDD protests against the anti-Thaksin Abhisit government began again to grow, heightening conflict intensity. During the same month, PAD protests in favor of a harsher policy toward Cambodia began to intensify.

II. Management Performance

14 | Steering Capability

Question Score

Prioritization 5

The Abhisit government managed to remain in office from 2009 to 2011, propped up by a powerful military that possessed a recently augmented authority. This followed three years in which four separate governments had followed each other in and out of office. Though having a single administration for two years mildly enhanced government durability, it was not enough to create any lasting political stability. From the beginning, Abhisit's government found itself challenged by continuing political unrest, a faltering economy and the need to forge a national consensus, and was unable to implement policies favorable to northern and northeastern residents. The unrest derived from two sources. First, there was the continuing far southern insurgency, which had grown stronger particularly since 2004. Second, many Thais did not accept the legitimacy of Abhisit's administration, given that the new ruling coalition had been formed in December 2008 under pressure from senior military officials. Indeed, throughout 2009 and 2010, partisan polarization intensified as anti-Thaksin PAD "yellow shirts" and generally pro-Thaksin UDD "red shirts" engaged in separate, sometimes violent demonstrations. In 2010, intensifying demonstrations temporarily brought the government to a standstill. During the protests, the government put its top priority on surviving in office and working against fugitive former Prime Minister Thaksin. The policies most prominently pursued by the government included the legal prosecution of Thaksin (or the attempt to apprehend him abroad) and securing a higher budget for the military. Yet, in an effort to build support among Thailand's lower classes, Abhisit's government did seek to borrow from Thaksin's populism. To this end, the Democrat administration in early 2009 initiated the "People's Agenda," in which the government offered small payments to unemployed people; job training to jobless persons; a limited old-age pension to senior citizens; a guarantee to farmers to buy rice at prices above market prices; and finally a promise of 15 years of free education for rural and impoverished students in primary and secondary schools. However, policy prioritization has been hindered by the post-2008 global economic recession, growing acrimony between the state and the UDD (which has been supported financially by Thaksin and others), and the Democrats' inability to construct a national consensus in support of their government (particularly in rural Thailand). Prioritization has been further hindered by corruption and attempts by coalition politicians to divert state resources to pork-

barrel projects in their constituencies. Ultimately, long-term perspectives and the application of an overall state management strategy have been either difficult to construct or lacking in coherence.

Implementation
5

In December 2008, when a Democrat-led coalition took the reins of government, it seemed as though policy implementation would become more smooth and durable given that anti-Thaksin protestors immediately dispersed. In some cases this has been true, as with the Abhisit government's successful extension of the elevated train system in Bangkok, including the creation of a link to the international airport. Yet the lack of national support behind the Abhisit government and the continuing growth of political division have been detrimental to the implementation of most policies. The Democrat government's anti-Thaksin crusade has increasingly served to polarize the country. Moreover, both the PAD and UDD have stymied implementation of state projects through acts of violence. Furthermore, under Abhisit, the military has become increasingly free of civilian control, such that any implementation of civilian-directed security policies must first have the approval of the army's chief. In terms of foreign policy, from mid-2008 until the end of 2010, border strife with Cambodia appeared to paralyze Thai foreign policy toward that country. The PAD has stoked Thai nationalism against Phnom Penh, and the Abhisit government has been slow to work toward conciliation. Fugitive ex-Prime Minister Thaksin has also become a major international issue for Thailand. The Abhisit government has failed to capture him, and he has built up close relationships with leaders abroad. The administration has perhaps been most successful in its implementation of security laws. Indeed, it has increasingly implemented lèse-majesté laws – ostensibly applied to protect the royal family from public criticism – to legally attack and detain Thaksin supporters both inside and outside the red-shirt movement. Moreover, in April 2009 and again in March – May 2010, Abhisit's decision to utilize the internal security law and emergency decree led to the successful quashing of the UDD protests. However, the use of these laws has elevated state authoritarianism, increased the role of the armed forces and exacerbated political divisions across the country. The global economic crisis and subsequent budgetary limitations have prevented the implementation of any major new initiatives, with the exception of increased military expenditures. Regional trade appears to be the primary point of growth, especially given the interests of China in expanding its commercial ties with Thailand.

Policy learning
5

The rise of the Abhisit-led coalition in December 2008 (with tacit pressure from the military), demonstrated that the armed forces and anti-Thaksin elite had learned that the international community (and most Thais) would not accept an explicit military coup (as occurred in 2006). The Democrats themselves learned that accommodation with former Thaksin allies would be more sustainable in terms of building opposition to Thaksin himself. Thus, the Democrats welcomed former Thaksin

confidant Newin Chidchob (and his new Bhumjai Thai party) into their coalition in January 2009. It was thought that Bhumjai Thai – popular in rural areas where Thaksin was widely supported – could perhaps compete with the pro-Thaksin party (Puea Thai). At the same time, Abhisit's government sought to borrow from some of Thaksin's populist policies in order to build support in pro-Thaksin rural areas. Meanwhile, Abhisit's government quickly learned not to oppose the military, and indeed embarked on a policy of military accommodation. However, the civil-war-like clashes between antigovernment protesters and security forces in Bangkok in May 2010 demonstrate that neither the government nor its opponents have learned lessons that might lead to political reconciliation.

15 | Resource Efficiency

Efficient use of assets
5

The increasingly violent political polarization of Thailand since December 2008 has made it difficult to make efficient use of available personnel, budgetary and administrative resources. Even under the more stable Thaksin government, resource efficiency was lackluster. Politics remains a key factor in personnel decisions. Though the Thaksin government reformed the cabinet structure in an effort to create greater resource efficiency, overall bureaucratic reforms have been only slowly realized. During the military government of 2006 to 2007, inefficiencies and lethargy continuously plagued government policy. In 2008, there was so little government durability (as at least two administrations came and went) that efficient use of resources was virtually impossible. Under the Abhisit government, 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. From 2008 to 2010, the military has sought and obtained larger budgetary allocations. Increased funding for the military threaten to diminish allocations to other areas (e.g., education, health care). Indeed, internal security has become the overwhelming priority for the Abhisit-led coalition. Furthermore, though political and economic decentralization has increased and stabilized (except in the area of budgeting), budgetary allocations from the national level have not always been sufficient to complement local administrative bodies' relatively scanty resources.

Policy coordination
4

Because the anti-Thaksin Democrat-led coalition came to office without an election but merely with crucial support from the military, it lacked popular legitimacy. Once in power, the Abhisit government was faced with several conflicting political objectives. Part of this included overseeing anti-Thaksin security decrees while simultaneously using populist policies in the north and northeast to win votes from rural dwellers sympathetic to Thaksin's message. However, this Democrat populism easily lost out to the harsh security measures quickly approved by the prime minister. Meanwhile, in terms of foreign policy, the Democrats had earlier

advocated a hard-line policy toward Cambodia, especially with regard to border demarcation. Thus, upon coming to office in December 2008, the government seemed to be held hostage by the anti-Cambodian nationalism its main party had previously exhibited. However, this enabled it to coordinate policy very easily with the Thai military, which displayed an uncompromising attitude toward Cambodia. Moreover, policy coordination with the military was assisted by the fact that Abhisit's government continued to increase the annual defense budget. The years 2008 – 2010 saw a gap widen between Abhisit, top soldiers and the judiciary on one side, and many less-senior but pro-Thaksin military officers and politicians on the other. This split did little to bring about societal reconciliation, making policy coordination even more difficult. However, policy coordination during this interval proved to be quite feasible as long as the Democrat-led coalition went along with the anti-Thaksin agenda of the armed forces and courts. Indeed, since the Democrats had always been opposed to Thaksin, such coordination proved easily attainable.

Anti-corruption policy

5

Thailand has long suffered from endemic corruption at all levels of society. Particular manifestations include bribery, nepotism, conflict of interest and a perversion of the rule of law. However, the country does have institutions designed to combat various types of corruption, including a system of declaring assets and liabilities and an independent anti-corruption agency with numerous powers. Under both the 1997 and 2007 constitutions, the National Anti-Corruption Commission (NACC) is given the power to investigate and prosecute independently of the Attorney General's Office. The 2007 constitution expands the powers of the NACC in cases involving politicians and state officials, shifting the burden of proof to the defendant. Other entities have also been created which at least partially relate to the promotion of transparency and efforts to contain 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. The work of these entities has separately resulted in the convictions of Thaksin, his wife, Prime Minister Samak and other members of parliament (mostly belonging to pro-Thaksin political parties) on various charges related to malfeasance. Meanwhile, four political parties have been forced to dissolve themselves due to members' corruption (the ruling Democrat party was acquitted in 2010 on a mere technicality). In February 2010, the Supreme Court ordered the seizure of the Thai assets belonging to Thaksin (worth THB 76 billion), which had been frozen by the AEC after the 2006 coup. Despite the actions of these watchdogs, corruption in Thailand has if anything diminished only slightly. Corruption related to military appropriations has been on the rise since 2008.

16 | Consensus-Building

Consensus on goals
5

Though all relevant political actors agree on the need for an intensive counterinsurgency in the south, as well as on the primacy of the market economy, since 2005 there has been an increasing polarization of views on issues of social welfare policy and political transformation. A crucial clash revolves around the influence of one man: Thaksin Shinawatra. People either admire or despise him. Most other political conflicts tend to relate to him in one respect or another. Indeed, the anti-Thaksin economic paradigm (preferred by the military and the Democrats), is called "sufficiency economy," and focuses on Buddhist frugality, as espoused by the king. The 2007 constitution has served as the trigger for a second conflict. Pro-Thaksin political parties have done their best to amend the charter, largely unsuccessfully. A third conflict has focused on the role of Thailand's military. In early 2010, the armed forces were utilized to quell UDD demonstrations. The subsequent military repression caused many Thais to question whether soldiers were becoming too powerful in Thailand. Another issue pertains to the incompletely defined Thai-Cambodian border, the uncertainty of which led in 2008 to violent clashes between Thai and Cambodian soldiers, stoking Thai nationalism. These conflicts have in general prevented the country from achieving agreement on the general goals of political and socioeconomic development, given their ability to divide relevant political actors. An unspoken consensus appears to have emerged in favor of Thaksin's populist policies, given that the Democrats have tried to apply their own diluted variation of populism. Nonetheless, Thaksin has touched off a class-related conflict, and political consensus remains far off.

Anti-democratic actors
3

There are seven groups of anti-democratic actors in Thailand today. Taken together, the power of these actors renders the political system's democratic mechanisms largely ineffective, although the government of Prime Minister Abhisit claimed legitimacy through his election by the democratically elected lower parliamentary house.

These anti-democratic actors include the military (and other security-related bureaucrats), the monarchy and the king's Privy Council, private sector interests opposed to democratic reform, southern insurgents, and two mob-like groups (the PAD and UDD). The military's power was demonstrated by the coup of 2006, the army's 2008 refusal to protect the Somchai government from marauding PAD demonstrators, and the ability of senior soldiers to manipulate the formation of the Democrat-led coalition government in December 2008. The monarchy continues to possess enormous informal political power. Besides cosigning acts of parliament, the king also has the right to veto laws, pardon offenders, dissolve parliament and enact emergency decrees. The king's political involvement generally takes place behind the scenes, 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. The king's Privy Council stands as another institution outside the control of democratic forces. The Council and/or its members often officiate for the monarch. Its chairperson, retired General Prem Tinsulanond, holds significant influence within the armed forces. 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. No audits of the CPB itself take place. Beyond these forces, insurgents in the far south of Thailand have persistently resorted to violence in their struggle with the Thai military. Closer to the political mainstream, the People's Alliance for Democracy (PAD), an anti-Thaksin mob, represents another anti-democratic actor. In 2008, the group's acts of civil disobedience included the physical takeover of the Government House and Bangkok's two civilian airports, as well as cutting the provision of electricity to parliament. These acts were meant to pressure the Somchai government to resign, which it was eventually forced by the courts 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 2009 and 2010, the UDD launched demonstrations which became unwieldy, violent, and flouted the rule of law.

Cleavage / conflict management

3

Thailand faces one deep political cleavage based around geography and class, and another pertaining to ethnicity and religion. The first sets impoverished rural farmers in Thailand's populous north and northeast against the more prosperous, educated Bangkok middle classes. Traditional societal pillars such as the military, monarchy and metropolitan business adhere to this latter position. Other groups such as Bangkok professional associations, most academics, many journalists, Bangkok civil servants and the Democrat party also support this urban viewpoint. It was ironic that Bangkok advocates of "democracy" made common cause with authoritarian royalists to support the 2006 coup. Though this uneasy alliance began to melt away following the military's seizure of power, it resurrected itself after the PPP was elected. Indicators of cleavage 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 PAD "yellow shirts" who sought to physically overthrow the PPP-led government through the seizure of key state institutions. The silence of the monarchy and the lame performance of the courts and armed forces in response to this crisis all resulted in a deepening lack of consensus, seeming to put the country on a course toward irreconcilable conflict. In 2009 and again in 2010, the UDD, supported by Thaksin, launched demonstrations against the Abhisit government. These were repressed by the military, but underscored the deep political divisions that have continued to scar Thailand. Since mid-2010,

government attempts to manage this crisis (i.e., establishing a committee for reconciliation) have been superficial or ineffective.

With regard to ethnic and religious cleavages, deep distrust toward the state among southern Malay Muslims 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 to insurgents, the state's policy of forceful suppression in fact continued. As the review period closed in early 2011, insurgency remained active in Thailand's far south.

Civil society participation
4

In Thailand, civil society voices have gradually become increasingly influential since the early 1980s. The political leadership grudgingly includes members of civil society 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. In addition, since the enactment of the decentralization act of 1994, local civil society representatives have compelled administrative powers to address local needs more urgently. NGOs, academics, intellectuals, religious groups and journalists were 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 kind of 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 "yellow shirts" and UDD "red shirts" 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. In 2009, a new mob group appeared which called itself the "blue shirts." Then in 2010, yet another mob was established, which called itself the "multicolored shirts." In 2011, other protest groups have emerged seeking to change government policy toward Cambodia. The state's 2009 and 2010 repression of UDD demonstrations illustrates that the government's accommodation of certain protests is sometimes limited.

Reconciliation
3

The government is today confronted with several challenges related to political reconciliation. The state has wielded brute force against the rebels of the southern Malay Muslim insurgency, but has also utilized concessions to and empowerment of southern Malay Muslims in seeking to quash the insurrection. Still, the rebellion 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," which resulted in almost 3,000 extrajudicial killings, left a scar across the state's relations with the mountain peoples that later governments have been unable 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 is the most prominent representative group of those who want to revise the charter to diminish the direct electoral elements in Thailand's democracy. The pro-Thaksin Puea Thai party and UDD want to return to the 1997 constitution. The current military-imposed constitution represents a sort of middle ground, though its supporters include the military, intraparty faction members and bureaucrats. The monarchy's view is opaque. In 2008, the PAD's attempt to force an army coup, or to create enough havoc to compel the government to fall, dramatically aggravated tensions within the country. Likewise, in 2009 and 2010, several UDD demonstrations (most notably the one lasting from March to May) exacerbated Thailand's partisan tensions in an environment which was already politically polarized. After the military repression of May 19, 2010, Prime Minister Abhisit appointed a Truth and Reconciliation Commission to seek ways to end societal antagonisms. Kanit na Nakorn was appointed to head this panel. Kanit was criticized by Thaksin supporters as a poor, presumably biased candidate, as he had served in a Democrat government as well as in the military administration of 2006 to 2008. At the same time, respected academic Prawase Wasi was appointed chair of the Committee on Reform Assembly, while former Prime Minister Anand Panyarachun was made chair of the Committee on Reform Strategy. Few if any members of these committees were supporters of the UDD. As such, by 2011, the committees had made only a few, effectively neutral recommendations. The big question in 2011 appears to be how far anti- and pro-Thaksin forces will agree to compromise in order to end their partisan bickering and move the country toward political reunification. As the review period closed with Thailand is in a heightened state of acrimony, the only winner appeared to be the military, which has seen its budget substantially increased since the coup.

17 | International Cooperation

Effective use of support
5

The Abhisit government claimed to have clear aims of democratic and economic development while preventing any political comeback by Thaksin Shinawatra. That said, in 2010, the World Bank, the Asian Development Bank (ADB), and other development banks pledged $6.24 billion in donor country funds (specifically Japanese donor assistance) for Thailand. Previously, despite the 2006 coup, the ADB had entered into a five-year country partnership strategy with Thailand in 2007, the first of its type between the bank and a middle-income country. The agreement, however, expired in 2011. In 2010, the ADB approved loans for several projects, including two solar power plants, environmental preservation efforts,

assistance to develop Thailand's capital market, and an upgrade to the country's highways. The latter was part of the ADB's push for a more integrated Greater Mekong Subregion.

So far, the government (and other anti-Thaksin actors) has made no serious effort to find external support to support reconciliation between the red shirts and yellow shirts (or, in a broader sense, between government and opposition) nor has it undertaken any serious attempt to enlist external mediation and support for reconciliation between Malay Muslim insurgents (and their followers) and the Buddhist government (and Thai mainstream society).

Credibility
5

The ability of the civilian administration to endure from 2009 until 2011 (following the return to electoral democracy in 2007), helped to build the international community's confidence that the country would once again become a reliable partner in promoting market-based democracy. Such durability was a relief following the 2006 coup and the quick succession of four governments between 2006 and 2009. Moreover, the new Democrat government had a reputation for championing economically conservative policies. Furthermore, with the December 2009 ascent to office of the new anti-Thaksin Abhisit government (particularly with its backing by the army), the international community begin to trust again that the administration might have enough stability to perform. However, Thailand's credibility remained in doubt owing to political instability and the conflict with neighboring Cambodia.

Regional cooperation
5

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 Subregion (GMS), the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), the Ayeyawady-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). Under Thaksin, the country began to acquire much more regional clout. However, since 2008 there have been periodic violent clashes on the border between Thailand and Cambodia. Though regional actors expressed support for Thailand's return to democracy, by January 2009 most were discouraged by the country's domestic turmoil as the Abhisit government appeared unable to cope with massive UDD demonstrations in Bangkok and other parts of Thailand. Regardless, by 2011, Thailand's trade with ACMECS countries had increased by 36% since 2009, and over nearly a decade the country had invested THB 15 billion in a growing number of joint projects with its neighbors. In addition, in 2010, Thailand committed an additional THB 4.2 billion to expand transport linkages with her neighbors. In 2010, Thai official development assistance amounted to over THB 6 billion, with

approximately 80% of the total going to infrastructure development projects (in the form of loans) in neighboring countries (especially Lao PDR and Cambodia).

Strategic Outlook

Despite an upswing in economic conditions, Thailand today continues to find itself hampered by political instability. In 2011, representative democracy continues to be on the wane, with political parties today existing as little more than sideshows. Real power manifests itself as a conflict between Thaksin and royalist elites, reflected in dialectically opposed, potentially violent mass movements. Since mid-2007, two other crucial players – an increasingly politicized (and powerful) military and a strengthened judiciary – have wielded significant power. As of the time of writing, it appeared that Thailand's next general elections would probably take place in July 2011. In the long run, however, for Thailand to reestablish political stability, some sort of accommodation will have to be made between the two opposing political camps. This will require compromise. 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.

A bridging of differences between established groups of elites respectively centered around Privy Council Chair Prem Tinsulanonda and the progressive forces stirred by Thaksin will require that larger numbers of Thai people be provided with enhanced levels of equity, greater voice and more political space, although the country is still democratically evolving. The alternative to such compromise is a further heightening of polarization and violence. What is yet to be seen is whether Thailand's leaders can muster the political will to put national reconciliation above partisan bickering. The objective is to achieve a 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.

Enhanced political turbulence could derail the current economic expansion. In addition, the state should enact more risk alleviation mechanisms to reduce the risks of growing market volatility. It also needs to move quickly to stabilize the baht. Indeed, a greater commitment to banking regulations would clearly work toward strengthening the banking system in Thailand. Rising inflation, the effects of global economic crisis and Thailand's persistent domestic instability all pose continuing threats of disruption to Thailand's banking system and capital market. Meanwhile, economic and social development needs to be increasingly robust and sustainable. Furthermore, Thailand's government needs to act firmly to reconcile with Cambodia and control

anti-Cambodian nationalism. This challenge was reflected at the end of January 2011, when PAD demonstrations were seeking to pressure the Abhisit administration to adopt a harsher stance toward the Cambodian government. Finally, the state must work expeditiously, transparently and ardently toward improving troubled relations in the far south between the state and embittered Malay Muslims, a situation which has contributed to bloodshed in the region.