

# BTI 2014 | Thailand Country Report

<b>Status Index</b>	1-10	<b>5.72</b>	# 61 of 129	
Political Transformation	1-10	5.05	# 75 of 129	➔
Economic Transformation	1-10	6.39	# 41 of 129	➔
<b>Management Index</b>	1-10	<b>4.46</b>	# 83 of 129	
	scale	score	rank	trend

This report is part of the Bertelsmann Stiftung's Transformation Index (BTI) 2014. It covers the period from 31 January 2011 to 31 January 2013. The BTI assesses the transformation toward democracy and a market economy as well as the quality of political management in 129 countries. More on the BTI at <http://www.bti-project.org>.

Please cite as follows: Bertelsmann Stiftung, BTI 2014 – Thailand Country Report. Gütersloh: Bertelsmann Stiftung, 2014.

This work is licensed under a [Creative Commons Attribution 4.0 International License](https://creativecommons.org/licenses/by/4.0/).

**Key Indicators**

Population	M	<b>66.8</b>	HDI	<b>0.690</b>	GDP p.c.	\$	<b>9819.8</b>
Pop. growth <sup>1</sup>	% p.a.	<b>0.3</b>	HDI rank of 187	<b>103</b>	Gini Index		<b>39.4</b>
Life expectancy	years	<b>74.0</b>	UN Education Index	<b>0.599</b>	Poverty <sup>3</sup>	%	<b>4.1</b>
Urban population	%	<b>34.5</b>	Gender inequality <sup>2</sup>	<b>0.360</b>	Aid per capita	\$	<b>-2.6</b>

Sources: The World Bank, World Development Indicators 2013 | UNDP, Human Development Report 2013. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$2 a day.

## Executive Summary

At the beginning of the review period, Thailand was politically split and state authorities evoked decree powers to control public protests. Prime Minister Abhisit Wechachiwa announced elections in May 2011 which were held in July, resulting in the Puea Thai party's ascension to power – a party which supports fugitive ex-Prime Minister Thaksin Shinawatra and is led by his sister Yingluck. In its first six months in office, the government coalition promoted an image of reconciliation, as it followed few policies that might incite protests from anti-Thaksin forces. The military, meanwhile, remained an institution of staunch anti-Thaksin sentiment and was insulated from civilian control. From September until December 2011, the government's attention was diverted to addressing severe flooding in the country. After December 2011, the Puea Thai-led coalition began to make partisan moves to help both itself and Thaksin. A more hardline and loyalist defense minister was appointed, who spearheaded charges against the opposition leader for previous military draft-dodging. At the same time, as Puea Thai held a majority in the lower house of parliament, it introduced a reconciliation bill aimed ultimately at granting an amnesty for Thaksin. In addition, the lower house sought to amend the constitution to rein in the judiciary and make the Senate fully elected, among other objectives. As one bill headed toward a final vote in June 2012, thousands of anti-Thaksin demonstrators blocked the gates of parliament to prevent the final vote from being taken. Amid the possibility of a coup, the palace-influenced Constitutional Court issued a temporary injunction against the consideration of the bill and eventually ruled that constitutional changes could be made, but that there should first be a popular referendum. The Yingluck government has since been slow to move forward with the two bills – though in early 2013, its efforts to do so seemed to increase. In late 2012, the government was also hit with two allegations of corruption – one involving a rice-pledging scheme, and the other involving flood relief funds. Though Yingluck's government survived a censure motion, the judiciary may yet oust her government over one of these two issues. The government has meanwhile pursued murder

charges against ex-Prime Minister Abhisit for his involvement in the repression of pro-Thaksin demonstrators in 2010.

As of 2013, Yingluck's government remains generally popular, as the economy is somewhat stable, a minimum wage law has been implemented, Thai-Cambodian relations have improved markedly, and Yingluck herself has sought to stay above the fray of political squabbling. However, economic growth has slowed as a result of the flooding in 2011, effects from global economic slowdown, and, according to critics, increased spending by Yingluck's government on populist programs. Nevertheless, her government has managed to survive despite suspicions from powerful opponents in the palace, or close to it. Insurgent violence in the far south has increased, while democracy in Thailand continues to be hobbled by enormous influence from unelected actors (the monarch, the Privy Council and the military) who continue to exert veto power over elected representatives.

## History and Characteristics of Transformation

Since the end of Thailand's absolute monarchy in 1932, Thailand's political landscape has been long dominated by the military and the monarchy, and political space, democracy and political parties have been slow to develop. In the 1980s, however, Thai civilians began to indirectly influence policy-making. The erosion of the bureaucratic-military order first led to a semi-democratic regime under Prime Minister Prem in the 1980s and, interrupted by a military coup and short-lived military rule in 1991 and 1992, finally into the "democratic regime of government with the Kings as Head of State" (1997 Constitution, Preamble). That period also saw a winding-down of the Cold War, an end to Communist insurrection, and, from 1986 to 1996, double-digit economic growth rates. Such growth was spurred by export-oriented industrialization, cheap labor and attractive investment laws. But in 1997 the bottom dropped out of Thailand's economy and the country entered recession. 1997 also saw the adoption of perhaps the most democratic constitution in Thai history.

The faltering economy, which was especially hard on the country's poor, helped populist tycoon Thaksin Shinawatra win a landslide election victory in 2001. Thaksin's wealth, ability to manipulate the 1997 constitution, and the fact that he actually delivered on promised reforms (once in office) guaranteed him a massive constituency of mostly poor voters for years to come. By 2003, the country's economy had significantly improved and he was re-elected in 2005 with an even larger majority in parliament than in his first term.

Yet Thaksin was also accused of intimidating the judiciary and stacking monitoring agencies with his cronies, thereby destroying the system of checks and balances. His government was also suspected of human rights abuses arising from the 2003 anti-drug campaign and 2004 counter-insurgency operations in the far south. Finally, some powerful people close to the palace and military saw Thaksin as competing with the monarch for influence in the country. By late 2005,

the country had become divided between those supporting and opposing Thaksin. A somewhat unlikely collection of groups – ultra-royalists, civil libertarians, military officers and academics – coalesced to oppose him, calling themselves the People’s Alliance of Democracy (PAD) or “Yellow Shirts.” Together with opposition political parties, they accused Thaksin of violating the constitution, manipulating the security sector and challenging the palace.

September 2006 saw the military oust Thaksin in a coup, and he became a fugitive abroad. Thereupon a new constitution was enacted which weakened the power of political parties and the executive, while making the Senate half-appointed. Other laws facilitated the growth of military power vis-à-vis the prime minister. Despite these changes, December 2007 elections brought a pro-Thaksin government back to power. But the government was felled following a judicial decision in December 2008 to dissolve the ruling party, owing to electoral corruption. That same month, the military worked to cobble together a new anti-Thaksin ruling coalition. This government remained in office only due to the support of the military, the leadership of which remained opposed to Thaksin. In March through May 2010, hundreds of thousands of pro-Thaksin “Red Shirt” demonstrators (the United Front for Democracy Against Dictatorship, UDD) protested against the Democrat government. The military ultimately repressed the demonstration, but elections in 2011 once again brought a pro-Thaksin government to power. Thai politics at the time of writing remain split between pro-Thaksin forces, led by the current ruling party and “Red Shirts.” Opposition to the government is led by Democrats, anti-Thaksin protest groups, arch-royalists and the military. While arch-royalists appear to dominate the judiciary, Thaksin’s supporters control most of parliament. The government has so far failed to amend the constitution to enhance its power, nor have parliament pass an amnesty for Thaksin.

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

## Transformation Status

### I. Political Transformation

#### 1 | Stateness

In general, the state possesses a monopoly on the use of force. However, during the review period pro-Thaksin “Red Shirts” (United Front for Democracy against Dictatorship, UDD) have created their own informal militia which has engaged in violent acts. Also, anti-Thaksin groups such as the “Yellow Shirts” (People’s Alliance of Democracy, PAD), “Multicolor Shirts” and “Pitak Siam,” possess smaller militia forces. In addition, tensions along the Thai-Myanmar border have subsided as ethnic minority militias situated there have entered negotiations with the state of Myanmar. However, with regard to the Malay-Muslim insurgency in Thailand’s far south, March 2012 saw the highest level of violence since 2004, including a number of deaths and injuries. In August 2012, the highest number of incidents for some nine years in the south was recorded. Indeed, the level of violence during the review period is the worst in the south since 2004. In February 2013, Malay-Muslim insurgents openly attacked a Thai navy base. Lastly, organized crime and local crime leaders have successfully challenged the state’s monopoly on the use of force at the local level, since they also have access to force.

Porous borders, multiple ethnic minorities and religions, a complicated citizenship process, and deeply ingrained discrimination have hindered the building of a national identity in Thailand. In 2012, the United Nations reported that many of Thailand’s northern ethnic minorities still lack citizenship, which makes them ineligible to vote, possess land, go to school, obtain public health care, be protected by labor laws and become civil servants; what’s more, many are vulnerable to human trafficking. The 2007 constitution and the National Act (2008) have hindered the process of migrants and refugees obtaining citizenship. According to the 2007 constitution, naturalized citizens have the right to vote only if they have held citizenship for at least five years (Article 99). However, they would not be eligible to run for political office at the national level (Article 101). As for the Nationality Act (2008), although this act is considered relatively more inclusive as compared to previous ones, the act grants total

Question  
Score

Monopoly on the  
use of force

6

State identity

7

authority to the minister of interior to revoke citizenship from naturalized citizens (Article 14). There are also several requirements for naturalized citizens to comply with to maintain citizenship. In other words, the Thai state has created a “conditional” citizenship system for migrants. Sometimes citizenship conditions are open to interpretation. For example, naturalized citizenship could be revoked anytime if those holding it are perceived to have threatened national security (Article 17 (3)) or to disrupt the peace, stability and morality of the Thai people (Article 17 (4)).

In Thailand’s far south, attempts at “Thaification” has produced over a century of violence between southern Malay-Muslims of Thai citizenship and the government. This cultural imposition by the Thai state can still clearly be seen in the continuing attempts to promote the concept of the Holy Trinity – the nation, religion (Buddhism) and the monarchy. From 2004 (when the insurgency intensified) until 2012, over 5,200 people have died in insurgency-related violence.

The 2007 constitution (as with most previous constitutions) mandates freedom of religion and forbids religion-based discrimination, but stipulates that the “state shall patronize and protect Buddhism” while the king must be a Buddhist. The state permits only national Buddhist holidays, subsidizes only Buddhist institutions and has banned only the insulting of Buddhism, despite the different religions observed in Thailand. Buddhism also stands above other religions in Thailand as the country’s powerful monarchy finds its legitimacy in Buddhism. The government curbs the number of missionaries coming from abroad; all religious organizations must be officially registered; and Buddhism is integral to Thailand’s official national identity. State authorities allied with Buddhist groups have been accused of coercing Malay-Muslims in the far south as well as non-Buddhist, Christian hill tribe communities. Nevertheless, the Thai state has promoted interfaith dialogue.

No interference of religious dogmas

6

Thailand possesses a highly verticalized bureaucracy. Corruption and lethargy are endemic problems among bureaucrats. The ministry of interior traditionally directs national, provincial and local administration. Other ministries handle issues relating to education, transportation, health and so on. Though the election of village headmen has existed in practice for over a hundred years, a system of decentralized administration at the provincial, municipal and sub-district levels only began to be implemented after 1994. However, the decentralization process during the 1990s was not entirely meaningful, as most local administrative organizations were largely controlled by regional or central administrative systems. Another problem is that appointed interior ministry officials and elected provincial/local administrative organizations have overlapping responsibilities, and at times clash. The Thaksin government streamlined the structure of various ministries in 2003, seeking to improve efficiency and save money. Yet in 2013 the quality of administration continues to be uneven, although the administration of basic infrastructure is ahead of that in neighboring countries. Education is relatively low-cost; a form of universal health care has been implemented; and transportation and clean water tend to be

Basic administration

7

accessible and affordable. According to U.N. Economic and Social Commission for Asia and the Pacific, 98% of Thailand's population has access to water while 96% has access to sanitation. Nevertheless, a gap exists in administrative quality between the capital Bangkok and provincial Thailand.

## 2 | Political Participation

Thailand's 2007 charter permits universal suffrage and makes voting compulsory. However, Buddhist monks, convicted felons and ethnic minorities (especially hill tribe people) who have no citizenship documents, cannot vote. Buddhist monks are prohibited from being electoral candidates. Prior to the 2007 and 2011 elections, the military was accused of financially backing anti-Thaksin political parties. During the 2011 pre-election campaign, the army reportedly monitored pro-Thaksin "Red Shirts" and sought to sway voters against pro-Thaksin candidates. NGOs and outside organizations were, however, allowed to monitor and criticize both elections. The post-2007 upper house in parliament represents a decline in democracy, as the 2007 constitution transformed the Senate from being fully elected to being half-elected and half-appointed. Of the 74 appointees, approximately 10% were retired military officers. The country's post-2006 election commission has exercised greater impartiality. Most electronic media in Thailand is controlled by the state, hindering media access for certain electoral candidates and parties, though the latter have resorted to print media, community radio stations and public rallies to get their message out.

Free and fair elections

6

Thailand is a parliamentary democracy within the parameters of a constitutional monarchy. The elected, lower House of Representatives (Sapha Phuthaen Ratsadon) is the source of the country's civilian prime minister, who is selected from among the legislative political parties. The upper Senate (Wuthisapha) is half elected and half appointed. Officially, the executive and legislative branches have the effective power to govern. However, significant veto actors and powerful enclaves often inhibit governmental decision-making and performance. The generally anti-Thaksin Constitutional Court has felled two sitting prime ministers since 2006, making it difficult for elected civilians to govern. In 2011 to 2013, fugitive politician and tycoon Thaksin Shinawatra continued to act as a crucial veto player. Since his sister Yingluck became prime minister in 2011, Thaksin has exerted informal influence over her and the ruling Puea Thai party. His personality and money dominate Puea Thai, as well as politicians in other parties and even bureaucrats, such as senior police officers. The monarch and royal family overshadow Thai politics, but are officially non-partisan. The king can veto any law, dissolve parliament, issue pardons and must endorse all legislation. Meanwhile, the king's Privy Council is above most government scrutiny and enjoys tremendous, opaque influence outside of the law. Lastly, many observers – Thai and international alike – agree that de facto the army (with support from the

Effective power to govern

4

monarchy) can exert a veto over every political decision, though such moves happen behind the scenes.

Currently, military chiefs – not the elected government – control the reshuffling of the armed forces. In June 2012, there was speculation that meetings among senior army officials amounted to preparation for a government coup. Though this did not turn out to be the case, it indicated the potential for the military to oust the elected government if it so desired. Furthermore, the armed forces control many aspects of national security policy and border policy, and have succeeded in pushing for higher military budgets. Until the end of 2011, the security services generally escaped scrutiny by civilian monitoring agencies. This only changed in 2012 when the Department of Special Investigation began seeking indictments against military officials involved in repressing a 2010 anti-government demonstration. However, an aura of partisanship has shadowed these investigations.

The 2007 constitution permits the formation of associations, organizations and NGOs. However, they must be registered, cannot be immoral, insult the monarch or royal family or create an economic monopoly. Political parties are allowed to form only if they accept democratic governance under the king as head of state. One controversial aspect of the 2007 constitution (relating to assembly rights) states that when a party leader engages in electoral irregularities or they connive such actions by party members or neglect to defer or take action against wrongdoers, the entire party can be dissolved and all individuals banned from politics for five years (Article 237, 2007 constitution). Such laws have been applied to several parties including the Thai Rak Thai party, the People's Power party, the Neutral Democratic party, the Thai Nation party and the Democrat Party). In 2012, the pro-Thaksin government attempted to amend the constitution to cancel this law. The government continues to use the criminal law, the martial law order, the emergency decree and the internal security act to quell unwanted demonstrations. In November, 2012, the emergency decree was briefly implemented in parts of Bangkok to help control protests by the anti-Thaksin "Pitak Siam" group. Attempts by police to disperse demonstrators led to some injuries and detentions. Those affected most by "security" decrees have been pro-Thaksin demonstrators, southern Thai Malay-Muslims, northern hill tribe people as well as foreign migrants and refugees. Such groups have often been harassed by Thai security forces. In August 2011, when anti-Thaksin demonstrators were physically beaten by opponents, the Thai state did little to protect protestors. Nevertheless, since the election of Yingluck as prime minister in 2011, assembly rights have generally improved, with the state more often than not allowing both pro-Thaksin and anti-Thaksin groups to demonstrate peacefully – though no one is allowed to protest against the monarchy.

Association /  
assembly rights

6



The 2007 constitution guarantees freedom of expression and media freedom. Nevertheless there exists a highly restrictive Internet crime law, which established a five-year prison sentence for “false publication.” In addition to the Computer Crimes Act, the Ministry of Information and Communication Technology has set up a police task force to monitor Internet content, effectively blocking public access to controversial websites within Thailand. Journalists have in general begun practicing more self-censorship, a phenomenon partly owing to the recent passage of the Publishing Registration Act. This law facilitates the launching of defamation suits against journalists. The media has also continued to be challenged by harsh *lèse-majesté* (criticism of the monarchy) laws. Section 112 of the criminal code is ambiguous about what constitutes an insult to royalty; thus most journalists tend to shy away from addressing the issue, for fear of prosecution. In 2011 to 2013, the governments of both Abhisit and Yingluck vigorously pursued *lèse-majesté* cases. By 2011, some 400 *lèse-majesté* cases had come to trial. In 2011, an American citizen was imprisoned for posting a banned Thai book on his blog, and in 2012 a Thai citizen was detained for insulting the royal family on the social media site, Facebook. The latest conviction is that of Somyot Prueksakasemsuk, who in January 2013 was imprisoned for being the editor of a journal which published two articles deemed to have insulted the monarchy.

Freedom of  
expression  
4

The state either controls or censors programming on television and radio. This relates to the role of the National Broadcasting and Telecommunications Commission, a regulatory body set up under the 2007 constitution, which monitors all telecommunications broadcasting. Although it is supposed to be independent and inclusive, it tends to be quite conservative. Six members out of 11 commission members hail from either the military or police, while the minority members, a total of five, are civilian. The 2005 emergency decree, 2008 internal security act and 1914 martial law act continue to be selectively administered in the deep south of the country, giving the government the authority to quell press reports which criticize state policy.

### 3 | Rule of Law

Since the military government of 2006 – 2007, there has been a constitutionally based separation of powers among a strengthened judiciary and monitoring agencies and a weakened executive and legislative branch. Such powers are conditional, given that ultimate authority remains with the monarchy. However, the judiciary has a proven track record of generally deciding cases against former Prime Minister Thaksin and his proxies. Also since the 2007 enactment of the military-backed constitution, “independent” monitoring organizations such as the Election Commission, the Ombudsman, the National Counter-Corruption Commission and the State Audit Commission have almost always sided against Thaksin. Since the election of a pro-

Separation of  
powers  
4

Thaksin government in July 2011, the executive branch's clout – in contrast to the judiciary – has intensified. The pro-Thaksin, Puea Thai party-dominated government in 2012 again sought to make constitutional changes, which would have shifted power more toward the executive. But in July 2012, the Constitutional Court issued an injunction, temporarily preventing the legislative branch from amending the constitution. At the time of writing, the judiciary (which is anti-Thaksin) and the executive/majority in the lower house (which is pro-Thaksin) remain deeply at odds.

The judiciary is differentiated into the Constitutional Court, Courts of Justice, the Administrative Court and the Military Court. Aside from the former, each branch has an Appeals Court and Supreme Court. The 2007 constitution gave the judiciary and independent monitoring agencies (including the National Anti-Corruption Commission, the Office of the Auditor General and the National Human Rights Commission) more power. In addition, a new Assets Examination Commission (AEC) was created. The charter also increased the autonomy of the judiciary vis-à-vis political parties by increasing the power of judges in selection committees for the court system. Finally, given that the appointment of new judges is made by selection committees as endorsed by the Senate, the judiciary has more often than not remained independent of the executive branch. Since 2007, the judiciary has handed back decisions against former Prime Minister Thaksin (still a fugitive in 2013) and two pro-Thaksin political parties. In particular, the Constitutional Court has been influenced by powerful anti-Thaksin interests. The Courts of Justice have in general been more impartial and independent. As of 2013, the courts had effectively deterred constitutional amendments proposed by pro-Thaksin governments while handing down court decisions unfavorable to Thaksin. This continuing pattern of anti-Thaksin judicial decision-making suggests that Thailand's court system is perhaps neither neutral nor independent of anti-Thaksin, arch-royalist forces. The lack of widespread legal education among most Thais has tended to make the judicial system mostly useful for those with financial clout. Along a similar vein, there have been allegations of bribery among members of the judiciary.

Thailand's 1997 and 2007 constitutions have strengthened courts, monitoring agencies, and the Senate to better scrutinize politicians and guard against abuse of office. Since the 2011 general election, the Election Commission has disqualified 11 winning candidates for fraud, though charges have been brought against other candidates as well. In December 2011, the monarch, in a move which surprised the Puea Thai party, did not accept a motion to pardon Thaksin Shinawatra for his 2008 conviction of abuse of office. During the review period, there have been several cases where senior civil servants or politicians were not adequately penalized by the Thai legal system. These included the 2011 CCTV camera scandal; the 2012 "Sky Dragon" airship military scandal; the 2013 police station scandal; and finally, the fact that both "Yellow Shirts" and "Red Shirts" leaders have not been prosecuted for crimes committed. In 2012, the Senate voted not to impeach anti-Thaksin, senior Democrat

Independent  
judiciary

5

Prosecution of  
office abuse

5

politician Suthep Thaugsuban for interfering in the work of bureaucrats. Moreover, the Yingluck government has succeeded in politically influencing actions taken by the Department of Special Investigations (DSI). As such, the DSI in 2012 charged former Democrat Prime Minister Abhisit Wechachiwa and his deputy with murder for the 2010 governmental crackdown on pro-Thaksin demonstrations. However, the DSI has refused to press such charges against Thaksin regarding his own administration's violations of human rights. Meanwhile, in 2013, the National Anti-Corruption Commission is investigating Abhisit and Suthep for abuse of office relating to the same 2010 crackdown, but is also probing the Yingluck government for corruption relating to a rice-pledging scheme.

Thailand's record on human rights, freedom of movement and legal redress of human rights violations remains defective. Only rarely have individuals responsible for security been successfully prosecuted in Thailand over human rights violations. It was surprising that in 2012 the Criminal Court convicted three policemen on murder charges in connection with the 2003 "drug war" (a period which resulted in almost 3,000 extrajudicial killings). Since the expansion of the insurgency in Thailand's far south since 2004, Thai security officials and insurgents alike have both engaged in gross violations of human rights. In 2013, violence in the south was at an all-time high, and given protections under the emergency decree and internal security act, security forces have continued to act with legal impunity. In February 2011, the Thai army used the emergency decree to control demonstrations by both the "Red Shirts" and "Yellow Shirts" groups. From 2011 to 2013, the Thai military interned large numbers of Rohingya, people who had fled persecution in neighboring Myanmar, as Thailand still is not a signatory of the 1951 Refugee Convention. After the 2011 election of the pro-Thaksin Yingluck government, a new "drug war" threatened to renew anti-drug-related state repression. In late 2012, an anti-government demonstration was broken up by police, resulting in 61 injuries. Meanwhile, laws dealing with insults to the king sharply curtail freedom of expression and civil liberties, as there is no due process under a balanced rule of law.

Civil rights

4

#### 4 | Stability of Democratic Institutions

Since the December 2007 election and dissolution in January 2008 of the military government, political stability in Thailand has been compromised by continuous conflict between the forces of Thaksin Shinawatra on one side and royalists on the other. From January to May 2011, there was a high level of political and social tension throughout the country as the military sought to control pro-Thaksin, "Red Shirts" demonstrations and also keep ultra-right-wing "Yellow Shirts" protests at bay. Many "Red Shirts" supporters were imprisoned as "terrorists" at this time, and the government had to rely on an emergency decree, backed by the armed forces, to stay in power, with the Abhisit government maintaining only a tenuous hold over the

Performance of democratic institutions

5

country. During the May 2011 elections, the army commander publicly chided the Puea Thai party, revealing his and the military's bias against candidate Yingluck Shinawatra. Nevertheless, the fact that the army did not stand in the way of Puea Thai's electoral victory marked a positive step for the performance of Thailand's democratic (albeit dysfunctional) institutions. In June 2012, "Yellow Shirts" besieged parliament to prevent the passage of a bill to amend the constitution. When the Constitutional Court enjoined parliament from proceeding, "Red Shirts" held angry demonstrations in which their leaders threatened the court, and the names and addresses of Constitutional Court justices were revealed to the crowd. At times the military has refused to go along with the decisions of the prime minister, as when in October 2012 the Defense Council refused to consent to the defense minister's preferences with regard to senior military appointments. March 2013 offered the most recent positive sign of the functioning of Thai democracy, as opposition Democrats won Bangkok's election for governor and the ruling Puea Thai party accepted the outcome.

Thailand is a defective democracy, and the country's most powerful actors do not necessarily accept the tenets or practice of democracy. The country's monarch sometimes acts as a veto player, as exemplified by the king's endorsement of the 2006 government coup. Former Prime Minister Thaksin Shinawatra is another important political actor. An elected prime minister (2001 – 2006), he exhibited authoritarian tendencies during his administration. Social movements have become increasingly important but have polarized political players. In 2013, political parties, the military, the police and social movements were all crucial political actors but each has reluctantly supported democracy, except when their favored parliamentary candidates triumph in elections. Likewise, anti-Thaksin and pro-Thaksin groups seem to champion democracy only when it suits their goals.

Commitment to  
democratic  
institutions  
4

## 5 | Political and Social Integration

The Thai party system is a loosely cohering, fragmented party system. Most parties fade in and out on a regular basis. Parties (such as the Chat Thai Phattana Party) tend to be clan-controlled, factionalized, clientelistic, regionally-structured and non-idealistic. Most (including Thaksin's Puea Thai party) are power-seeking and rent-extracting, thereby recouping election losses and rewarding supporters. Perhaps the only exception is the Democrat Party, which is relatively less factious and has far more party branches. Nevertheless, it too only has superficial party roots. 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 their leader. Others are decentralized entourages of various factions. Some factions (such as Puea Thai's Wang Nam Yen clique) even last longer than the party itself. Rank-and-file members have little influence over party decisions; party switching is

Party system  
4

frequent and in general, there is a lack of transparency with respect to party operations.

The courts exert enormous power over political parties, as demonstrated by the 2011 and 2012 judicial cases against the Puea Thai party, the Democrat Party and the Bhumjai Thai party, which might have led to the parties' dissolution. Though the Constitutional Court, which was empowered to examine these cases, never did dissolve these parties, the possibility exists in the future that the court could do so. Indeed, it previously dissolved four political parties. When parties are dissolved in Thailand, the party executive board members are banned from politics for five years, while non-executive members can simply reinvent themselves by forming new parties. Despite such judicial threats, in 2013 the pro-Thaksin Puea Thai party led a six-party coalition government, with the parliamentary opposition composed of five parties.

The strength of societal organizations and interest groups depends upon the sector. Politically based social movements (such as the United Front for Democracy against Dictatorship (UDD) or the People's Alliance of Democracy (PAD)) oppose each other and are not necessarily supportive of democracy. Business associations, with connections to political parties and bureaucrats, have been effective in influencing government policy. Labor unions, traditionally repressed by the state, have been far less successful. During the 2011 election, the UDD and labor unions pressed candidates to commit to improving conditions for Thai laborers. After winning the election in 2012, the pro-Thaksin Yingluck government, partially responding to the demands of these groups, implemented a daily THB 300 minimum wage. Yet NGOs (such as the People's Movement for a Just Society, or P-Move) remain disappointed at the coalition's failure to effectively address rural poverty and land titling. These and other grassroots organizations, such as One Tambon One Product (OTOP) groups (which help to nurture and strengthen rural civil society) continue to lobby the Yingluck government, voicing the needs and demands of local communities.

Surveys have shown that Thai citizens have high levels of consent for democracy. Yet such support is tempered by the greater reverence almost all Thais feel for their monarch, who himself is no democratic icon. There has been no popular opposition movement in Thailand against the *lèse-majesté* laws, which carry the threat of imprisonment if the monarchy is insulted. Urban Thais, generally 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. This differentiated mindset toward democracy was accentuated during the review period. Yet rural Thais who support the United Front for Democracy against Dictatorship (UDD) or "Red Shirts" have also backed enhanced civil liberties to promote their progressive political agenda, while many urban Thais, who support the People's Alliance of Democracy (PAD) or "Yellow Shirts," backed the quelling of UDD protests, which they saw as detrimental to the

Interest groups  
5

Approval of  
democracy  
5

rule of law. Curiously, though the Yingluck government since 2011 has continued to support tough lèse-majesté laws, followers of the UDD have, despite their progressive agenda, continued to confront the courts for issuing harsh sentences rather than question why the government – which they helped to elect – also supports lèse-majesté laws. Ultimately, Thaksin’s ardent supporters, especially among the UDD, seem to be loyal to him despite and not because of his commitment to democracy. At the same time, many of Thaksin’s opponents, such as more urban, liberal-minded Thais (who tend to support the “Yellow Shirts” and Pitak Siam protest groups) have shown in surveys since 2011 that they might not be opposed to a military ouster of the Yingluck government. All in all, the “Thaksin” crisis has placed popular support for democracy on the sidelines, with most Thais having chosen sides for or against him.

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. Dense networks of mechanisms and structures have brought forth business associations, unions and NGOs. Thailand’s government has worked to spark greater social-capital-based relationships. Thailand’s 2012 – 2016 National Economic and Social Development Plan seeks to harness social capital as a means of improving development. In 2011, the Thai Social Enterprise Office, with a budget of THB 3.2 million, was created to further the development of social enterprises. In 2012 it was estimated that there were 116,000 social enterprises in Thailand. Nevertheless, 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 supporters 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 in 2013 there is only a middling level of trust among the population.

Social capital

5

## II. Economic Transformation

### 6 | Level of Socioeconomic Development

Question  
Score

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 falls into the category of medium human development) since 2005. The country earned a 2011 HDI value of 0.682 and an HDI ranking of 103 of 187 countries, while the country's 2011 per-capita GDP was \$8,702.99 (purchasing power parity) alongside a moderately growing economy. Meanwhile, in 2012 Thailand fell to a rank of 65 on the Gender Inequality Index, from a rank in 2011 of 60 (out of 135 countries). In July 2011, the World Bank upgraded Thailand's income categorization from a lower-middle-income economy to an upper-middle-income economy. The literacy rate is 93.5%, 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; indeed, the Gini index places deviation of income distribution at 40. A large number of Thais continue to suffer from poverty, social exclusion or discrimination due to gender, ethnicity or geographic location. Close to 10% of Thais live below the poverty line (4.6% survive on less than \$2 per day). These problems have been most acute among northern ethnic minorities (many of whom lack citizenship), Malay-Muslims in the far south (where insurgency has impeded development efforts) and in the country's populous northeast (where two-thirds of Thailand's impoverished citizens reside). An increasing number of policy programs, such as a THB 300 minimum wage, have been introduced under the Yingluck government.

Economic indicators		2009	2010	2011	2012
GDP	\$ M	263711.2	318907.9	345672.2	<b>365965.8</b>
GDP growth	%	-2.3	7.8	0.1	<b>6.5</b>
Inflation (CPI)	%	-0.8	3.3	3.8	<b>3.0</b>
Unemployment	%	1.5	1.0	0.7	-

Economic indicators		2009	2010	2011	2012
Foreign direct investment	% of GDP	1.8	2.9	2.3	<b>2.4</b>
Export growth	%	-12.5	14.7	9.5	<b>3.1</b>
Import growth	%	-21.5	21.5	13.7	<b>6.2</b>
Current account balance	\$ M	21890.7	9945.9	5917.8	<b>2758.8</b>
Public debt	% of GDP	45.2	42.6	41.7	<b>44.3</b>
External debt	\$ M	61209.2	80550.9	80039.1	-
Total debt service	\$ M	12084.2	10963.9	10479.2	-
Cash surplus or deficit	% of GDP	-3.0	-0.6	-1.2	-
Tax revenue	% of GDP	15.2	16.0	17.6	-
Government consumption	% of GDP	13.4	13.0	13.3	<b>13.6</b>
Public expnd. on edu.	% of GDP	4.1	3.8	5.8	-
Public expnd. on health	% of GDP	3.1	2.9	3.1	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	1.9	1.5	1.6	<b>1.5</b>

Sources: The World Bank, World Development Indicators 2013 | International Monetary Fund (IMF), World Economic Outlook 2013 | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database 2013.

## 7 | Organization of the Market and Competition

Thailand is officially a pro-business country, with laws intended to attract foreign investment and a constitution guaranteeing the presence of a free-market system. Yet despite efforts to institutionalize market competition more fully, the situation during the review period 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. An example of non-transparency in state contract bidding during the period can be seen in the scandal of the rice-buying scheme, introduced by Yingluck government. The Thailand Development Research Institute has strongly criticized and dubbed this policy as “built in” corruption, which largely benefits the pro-Puea Thai network including rich farmers, rice mill owners and exporters. The persistent influence of economic heavyweights continues to hinder the development of Thailand’s financial sector. The country also continues to have a large underground economy and informal sector, from which many Thais derive their earnings. According to the National Statistics Office of Thailand (2011), 62.3% of the total workforce is employed in the informal

Market-based  
competition

6



sector. Although this informal sector accounts for a large share of several sectors of the country, most of them are not part of the country's tax system. According to the Finance Ministry, only 30% of the workforce pays tax; the informal sector is not comprehensively covered by the country's current tax system. Moreover, the informal sector is responsible for producing approximately 50% of the country's gross domestic product. The informal sector accounts for a large share of enterprises in all sectors, including agriculture, manufacturing, trade and services. Though women have traditionally made up a large proportion of Thailand's informal sector employment, a growing pattern of lay-offs since the 1997 Asian financial crisis has resulted in a significant number of men being absorbed into the informal labor market as well. In 2013, there were officially more male than female informal workers. In addition, Thai employers increasingly rely on cheaper immigrant labor, as a means to better compete with lower-cost industries in Cambodia, Vietnam, Myanmar and Laos. The Yingluck government is championing trade liberalization in anticipation of the commencement of the ASEAN Community in 2015.

Responding in part to crony capitalism that influenced the 1997 meltdown, Thailand has long relied on the 1999 Trade Competition Act (presided over by a Trade Competition Commission, 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 influential individuals. Pressure from big business, apparent government indifference, and a lack of adequate enforcement ultimately hindered TCC efforts. Since 1999 there have been over 73 complaints but none has been acted upon. In 2009, the Commerce Ministry opened several additional probes. Since 2010, the government began looking for ways to overhaul the TCC. In 2012, a bill before parliament sought to expand the powers, independence and transparency of the TCC as well as increase the statute of limitations. At the time of writing the bill had yet to become law. In late 2012, it appeared that the TCC was on the verge of making its first enforcement finding, in a case against Honda, though the statute of limitations would soon expire. Yet at the same time the TCC dropped cases against three mega-companies. Noted economist Narongchai Akrasanee stated in early 2013 that conglomerates that maintain market dominance have been the principal cause of rising prices for several consumer goods in Thailand, while the government's creation of outlets for cheap goods has failed to address the problem's root causes. As the end of the review period, it appeared that crony capitalism in Thailand continued undisturbed while the TCC holds on as a fangless entity, unable or unwilling to enforce the law.

Anti-monopoly  
policy

5

Although the international community has successfully pressured 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

Liberalization of  
foreign trade

7

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. Beginning under Prime Minister Thaksin, Thailand has promoted bilateral, regional and global free-trade agreements (FTAs). Thailand was in 2012 a major promoter of the ASEAN Plus 6 free-trade area. However, negotiations for a Thailand-United States FTA have thus far foundered over U.S. demands for more international property rights protections. In 2013, the Yingluck government promoted greater regional trade liberalization in the Greater Mekong Subregion, especially regarding the North-South Economic Corridor, linking China to Thailand; the East-West Corridor, connecting Myanmar, Thailand, Laos and Vietnam; and a southern corridor, linking Thailand, Cambodia and Vietnam. However, evidence of Thailand's inability to safeguard international trade standards was reflected in 2012 by the fact that the Office of the U.S. Trade Representative placed the country on its Priority Watch List for the sixth year in a row. This action was generally owed to Thailand's failure to address copyright piracy, trademark counterfeiting and infringements on intellectual property rights. The WTO has called for Thailand to further liberalize its service sector. In late 2012, the United States announced that it would challenge Thailand over its rice subsidies at the WTO. The WTO earlier ruled that Thailand's value-added tax (VAT) policies relating to Philippine cigarettes constituted a violation of WTO rules; thereupon Thailand revised the VAT to comply with WTO rules.

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. In 2002 the share stood at 15.7%; in 2011 it was 3.5%. The government as of 2012 requires non-performing loans to be under 3.5%. In 2012 the Bank of Thailand worried about excessive loan growth, as monthly rates in banks had risen to 25%. Strong loan growth has been led by increased loan demands by Thai businesses, the 2011 flood crisis, and the need for more circulating funds from the private sector. Banking reforms since 2006 have sought to increase overall market capitalization, providing greater fundraising efficiency and promoting savings, especially in the equity, bond and derivatives markets. The country incrementally implemented Basel II banking regulation standards in late 2010 and the Bank of Thailand has announced that Thailand will implement Basel III in phases beginning in 2013. Moreover, with the goal to expand banking competition and promote more banking services, the Bank of Thailand drafted Financial Sector Master Plan II (FSMP II) for 2010 – 2014. Among its provisions, new and existing foreign financial subsidiaries would become eligible in 2012 – 2013 to open as many as 20 new branches and 20 off-site ATMs. A further phase in 2014 would permit a greater number of full commercial licenses for foreign banks. The state has sought to enhance banking transparency. In 2012, 11 of 16 Thai banks were listed on the Stock Exchange of Thailand (SET), ensuring banking transparency at least for these listed

Banking system

7

institutions. In 2011 Thailand's bank capital-to-assets ratio was 10.5%, falling from 2010 levels of 11.3%. Nevertheless, market capitalization within the SET has been unstable. In 2012, daily turnover at the Stock Exchange of Thailand (SET) and Market for Alternative Investment (MAI) hit a record high of THB 31 billion. In addition, the market's capitalization skyrocketed 41% to THB 11.83 trillion, up from THB 8.4 trillion in 2011. The SET president expects market capitalization to exceed GDP by 1.3% in 2013. In 2012 the SET ranked as the third-largest market in Southeast Asia, after Singapore and Malaysia, and was also the fifth-best performing shares market in the world. Nevertheless, in early 2013, though stocks have risen in value, the market remains volatile. In late 2012, one Thai economist warned of a SET bubble as a result of global economic crisis, among other factors. The government has sought to inject funding sufficient to shore up the local exchange. The Yingluck government has also sought to transfer the debt obligations of the Financial Institutions Development Fund to the Bank of Thailand (a decision which would influence the fiscal situation). Most Thai banks continue to perform profitably but with modest capital levels. As a result of lessons learned from the past and subsequent financial reforms, Thailand's banking sector is relatively more stable than banking sectors in many developing and advanced countries, despite suffering from the global economic crisis and domestic political turbulence.

## 8 | Currency and Price Stability

Curbing inflation has been a problem for Thai governments in recent years. From 2000 to 2012, the inflation rate in Thailand averaged 2.7%. Since 2009, inflation in Thailand has been on the rise, given spikes in food and fuel prices. By mid-2011, inflation had grown to 3.8%. Since then the rate has started to fall, hovering at 3.3% in 2012 and slightly shrinking to 2.8% in 2013. The Stock Exchange of Thailand (SET) Index rose throughout the second half of 2012, finishing up 60% since 2011. In 2013, SET trading volume continued to grow. Meanwhile, the Bank of Thailand, which in 2007 had abandoned the managed float system, followed a flexible foreign exchange policy that permitted the baht to move in line with the market – a policy which, since coming to office in 2011, Prime Minister Yingluck has generally maintained. Since becoming governor of the Bank of Thailand in 2010, Prasarn Trairatvorakul has maintained the tight monetary policies of his predecessor, especially in terms of continuing high interest rates to stabilize the baht. In late 2012, Prasarn noted that Thailand is experiencing only “benign” inflation and interest rates do not need to be cut as credit growth is accelerating. Though Prasarn got along well with the tightly-monetarist ruling Democrats (2008 – 2011), Yingluck's Finance Minister Kittirat Na Rayong and Virabongsa Ramangkura, chair of the central bank's board of directors, have sparred with Prasarn over aspects of foreign exchange policy. Prasarn has resisted attempts by the two to manage exchange rates, cut interest rates and weaken the baht so as to boost economic growth. The government's view is that

Anti-inflation /  
forex policy

8

lower interest rates could help industry, particularly exports, which are still low given slow overseas demand. However, Prasarn opposes such fiscal tinkering, arguing that if the rate was kept low for too long, it could cause a bubble in the market. The IMF has come to the defense of Prasarn, warning the Yingluck government not to interfere in the functioning of the central bank. With divisions continuing over inflation policy and foreign exchange policy, stability in these areas is not assured.

Despite political instability and the aftereffects of the global economic meltdown, Thailand's economy has remained relatively stable. The Bank of Thailand has followed a tight monetary policy to efforts to keep inflation low. At the same time, Prime Minister Yingluck (and her predecessors) has utilized fiscal spending to strengthen the economy. To help bring down inflation and an overvalued baht, the government has been active in issuing more corporate bonds and expanding the bond market more generally. The Yingluck government has introduced inflation-linked bonds and electronic retail bonds. In 2012, foreigners held \$13.8 billion of bonds compared with \$1.6 billion in 2009. The government has purchased more U.S. dollars and kept them in reserve, thus increasing net international net reserves, seeking to keep the baht from appreciating further. Reserves have slightly grown from \$167.5 billion in 2010 to \$175.1 billion in 2011. In 2011 government consumption also stood firm at 13.3%, marking a steady rise in this field. 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 41.06% of GDP in early 2012, a figure which had slightly diminished since the previous year. It was estimated that in 2013 the public debt would rise to 47.5% of GDP. This elevated public debt was perceived as partly deriving from the Yingluck government's populist rice-buying scheme. In 2011, the current account balance stood at 3.40% of GDP, representing a drop from 4.11% of GDP in 2010. Meanwhile, external debt, which had reached \$100.6 billion by January 2011, swelled to \$115.6 billion in September 2011. Inflation remains a threat following the Abhisit government's disbursement of \$43.4 billion in populist measures and the successor government of Prime Minister Yingluck drawing up of an even more populist agenda with costs at \$75 billion.

Macrostability

7

## 9 | Private Property

Property rights and property acquisition are loosely and informally enforced in Thailand, often depending upon individual connections and contacts. The 2012 International Property Rights Index, which addresses legal, political, physical, intellectual and gender issues regarding property rights, ranked Thailand 69 of 130 countries worldwide, and 12 of 19 countries in Asia, representing a negative trend in both categories. While the Philippines and Indonesia are ranked behind Thailand, India and China are both ranked higher than Thailand. This relative scaling has changed little over the years. The Heritage Foundation's 2013 Index of Economic

Property rights

7

Freedom has continued to give Thailand a 45% on a 0% – 100% scale of private property rights; there has been no change in this variable since 2008. According to the Heritage Foundation, though private property is generally protected in Thailand, legal processes can be protracted. Third parties can still influence judgments through illicit means. Though Thailand maintains 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.

Though Thailand has a large public sector, private firms remain crucial to the country's economy. In 2013, starting a business took 29 days, thanks to reduced bureaucratic obstacles. Since the late 1990s, Thailand has committed itself to the privatization of some state-owned enterprises to improve efficiency and transparency. However, efforts at privatization have hit a wall given resistance from parts of civil society as well as entrenched, vested interests. Privatization has been further hindered given the political turmoil and the five changes in government since 2006. Some fear that further privatization, while improving market competitiveness, would also enable vested interests to gain controlling shares in important sectors. In fact, the state has enacted legislation forbidding the privatization of socially vital state enterprises (or those holding "commanding heights") such as the Electricity Generating Authority of Thailand (EGAT) or the Water Works Authority (MWWA). As such, privatizations efforts such as those of the Port Authority of Thailand, the State Railway of Thailand, the national energy conglomerate PTT, Thai Airways International, the Airport Authority of Thailand (later renamed Airports of Thailand, or AOT), the BKS bus system, and the Mass Communication Organization of Thailand (MCOT) have all been stymied. Nevertheless, in 2012, the Yingluck government was still seeking to privatize Thai Airways International and PTT. The enduring clout of bureaucrats (including senior military officials) who sit on the boards of state enterprises has given rise to apprehension that such officials will use their hold over these enterprises to bolster their own economic interests. Under Prime Minister Abhisit in 2011 and later Prime Minister Yingluck, there has been growth in the privatization of universities, with the result that tuitions have been raised and institutions unable to adapt to the transition simply shut their doors. Yingluck's government has sought to woo private investors to support Thai government efforts to develop the Dawai commercial port in Myanmar. The Thai government has been active in promoting Thai private sector ventures at home and abroad, even helping to seed such ventures with loans. Yet this increasingly powerful and vocal private sector has been critical of Prime Minister Yingluck for pushing expensive populist policies, which could diminish export competitiveness. In 2012, the Yingluck government pushed to amend the 1992 public-private partnership law to streamline it, reduce corruption and diminish conflicts of interest so as to better accelerate ventures

Private enterprise

7

between the public and private sector. The amended law is set to become effective in 2013.

## 10 | Welfare Regime

The development of Thailand's social safety net has been incremental. Traditionally, the family was responsible for social assistance without state involvement. During the review period, establishing an adequate social safety net for all Thais has remained a major challenge. The country already has a social security act (enacted in 1990) as well as a labor protection act (enacted in 1998). However, social security is marked by numerous gaps in coverage while labor protections suffer from ineffective enforcement. More recent additions have included a social security fund (which covers work-related injuries, disability, sickness and death, but also pays for maternity leave, child welfare, worker pensions and unemployment compensation); the "30 baht" health program and higher pensions for retired civil servants. Nevertheless, in response to unemployment problems since 2008, the Social Development and Human Security Ministry under the Abhisit government earmarked THB 1.5 billion to subsidize massive layoffs, and extended the period of unemployment compensation. In 2011, Abhisit inaugurated an ambiguous, pro-poor Thailand Reform Plan, but it never came to fruition. In 2012, the Yingluck government once in power ambitiously pledged to eliminate poverty by 2020. The prime minister implemented a bevy of populist measures, including greater cash-flows to farmers and a (still partially implemented) THB 300 daily minimum wage. If the wage is fully enacted, employers may look to migrant labor or re-classify Thai workers as part-time laborers. Yingluck also implemented a rice price guarantee and debt suspension for low-income earners, among other projects. Meanwhile, less than 15% of the population is covered by insurance. Elderly and disabled persons receive only THB 500 per month. According to the latest World Bank figures, Thailand in 2010 spent 2.9% of GDP on health care, a drop from the previous year. Disbursal of actual funding in these welfare programs has not always been forthcoming. Funding these programs may also exacerbate inflation. In terms of promoting equal opportunity, affordable health care has become close to universally accessible. At the end of the review period, the situation of the country's social safety nets under the Yingluck government had somewhat improved, and the government was working toward a comprehensive social welfare program slated to begin in 2016 – 2017. Yet the government appeared unwilling to levy higher taxes to support the program.

There continues to be insufficient institutional assistance for women and minorities, who have less opportunity in accessing public services or serving in public office than do men. The 2008 – 2011 Abhisit government touted its 15-year, free education policy but hidden costs hindered the program. In 2012, the Yingluck government initiated a THB 20 million women's empowerment fund; increased the minimum

Social safety nets  
6

Equal opportunity  
6

wage; and is seeking to provide computer tablets for first graders. Regarding ethnic minorities' rights, though Thai governments since Thaksin have sped 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 partially filled the void left by government deficiencies in addressing the welfare needs of impoverished women and ethnic minorities. However, NGOs have limited resources. Discrimination against and harassment of Cambodian, Burmese, Lao, Malay and other minorities is frequent. Thailand has not ratified U.N. conventions on refugees, and has forcibly repatriated Burmese and Lao refugees and Rohingya refugees. Migrant workers (estimated to number in the millions), especially women, suffer salary discrimination and on-the-job harassment. Female migrant workers are perhaps the most underprivileged and maltreated social group in Thailand, and are generally ignored by Thai law.

## 11 | Economic Performance

The 2011 earthquake and tsunami in Japan devastated Thailand (via supply chains) reducing GDP by 2%. The flooding in Thailand in late 2011 reduced GDP by another 1%. GDP growth fell from 7.8% in 2010 to a barely positive 0.1% in 2011. However, in 2012, GDP is expected to grow by 4.7%, supported mainly by a rebound in household consumption and investment. In early 2012, amid a jump in exports (which rose by 27%) the country experienced rising industrial production, accelerating private consumption and increasing levels of investment. As for Thailand's balance of trade, merchandise, industrial and high-technology exports in particular have risen more strongly than expected. In 2012, imports accelerated by 26% and exports climbed by 27%, narrowing Thailand's trade surplus from \$2.47 billion in October to \$1.45 billion in November. Meanwhile, unemployment dropped in parallel with the beginning of an economic recovery, from 0.8% in 2011 to 0.56% in 2013. The early months of 2011 showed a decline in consumer prices and the cost of living. In 2012, inflation levels rose to 3.8%, and may continue to rise. Consumer demand has grown, despite slowdowns in 2010 and 2011 from the country's severe floods. The current account remained in surplus in 2013, but could soon go into deficit. The public debt ceiling stands at 60% of GDP, while taxes represent 16% of GDP. Growth in both private and public consumption spending grew 3.6% and 3% in 2012. Gross capital formation stabilized in 2011 and 2012, at 25.9% of GDP for each year. Though Thailand's budget deficit for 2011 and for 2012 was THB 400 billion, the government has promised to cap deficits at THB 300 billion in 2013 and THB 225 billion in 2014, as part of an attempt to bring the state budget out of the red.

Though frequent and sometimes violent mass protests have threatened foreign investment, the government has since 2011 been more successful in calming the fears relating to continuing instability. According to the United Nations Conference on

Output strength  
6

Trade and Development (UNCTAD), in 2011 Thailand's foreign direct investment (FDI) was \$7.8 billion and in 2012, increased to \$8.1 billion.

## 12 | Sustainability

Environmental concerns are deemed important in Thailand, though attention is directed primarily toward economic growth. 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., 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, the Abhisit government announced stricter environmental regulations but by the time it left office in 2011, such pronouncements had yet to be transformed into law. Upon coming to office, Prime Minister Yingluck announced a broad new policy to improve forest and coastal protection while making any populist policies consistent with environmental considerations. Her government has not announced any policy for diminishing greenhouse emissions in line with international climate control standards. The country has thus far refrained from constructing nuclear power plants, instead announcing that it will seek to develop more renewable energy resources. Nevertheless, the Yingluck government continues to promote the building of environmentally destructive dams and coal mines in Laos for fuel needs. In late 2011, flooding in central Thailand turned into an environmental catastrophe as Prime Minister Yingluck appeared ill-prepared to deal with the disaster. In 2012 Yingluck vigorously championed the building of the Mae Wong dam, despite fierce opposition from environmentalists, and the fact that the dam had not been approved by the National Environment Board. At the same time, Yingluck has shown staunch support for the Map Ta Phut Industrial Estate in Rayong, though in 2012 she ordered bureaucrats to ensure that Rayong factories become environmentally friendly. In December 2012, several Map Ta Phut workers filed a lawsuit against the state seeking compensation for environmental and health damages caused by industrial development. Ultimately, Thailand's environmental policy is sometimes subordinate to growth efforts, receiving partial attention from the government.

Environmental  
policy  
6

Thailand's public education system (primary, secondary and tertiary) covers virtually the entire country, though in the far south schools often close, due to the regional insurgency. Given that public schooling (grades one through 12) is mostly free (with grades one through nine compulsory), school attendance is close to universal. From 2002 until 2012, the Thai education budget doubled, and in 2012 it represented 4% of GDP – though this was less than what was spent in 2009. According to the Thai

Education policy /  
R&D  
6



Research Development Institute, the major problem with Thai education is the continuing poor quality of teachers in Thailand's state schools, not financial resources. Other problems include money earmarked for education that is squandered either through mismanagement or corruption. Students in neighboring countries with fewer resources have managed to improve educational performance. In 2012, Thai public spending on research and development as a share of GDP was 0.2%. This represents, according to the World Bank, one of the lowest percentages globally. According to the OECD, Thailand's 2012 spending continues to fall behind its income group, and is below Singapore, Malaysia and Vietnam. Prime Minister Yingluck has promised to drastically increase research and development spending. Thailand's literacy rate stands at 93.5%, with female literacy greater than male literacy. As for relative school enrollment, male students predominate at the primary level, but by the time they reach tertiary education, more females than males are enrolled. A shortage of resources and qualified teachers has persisted in Thailand. Public schools and state universities continue to suffer from overly hierarchical and inefficient administrations. In wealthier urban areas, schools tend to offer higher standards of teaching and better educational resources than those available in poorer rural areas. The 2008 – 2011 Abhisit government inaugurated a 15-year, partly free education program for 12 million needy Thai students. The Yingluck government has since begun implementing a policy of outfitting all schools with wireless Internet access and making computer tablets available to first graders. Debate over the privatization of education has intensified, with many arguing that it could increase the educational gap between rich and poor. A lack of attention to the need to improve resources overall has produced problems in educational achievement. Thai students (in state schools) when tested through the Program for International Student Assessment (PISA) and the Ordinary National Educational Test (O-Net) have ranked in the lower percentiles in almost all subjects.

## Transformation Management

### I. Level of Difficulty

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 and 21st centuries. First, there is the geographically imbalanced character of socioeconomic development, with its concentration of wealth in the capital region and general neglect of the northeastern region and parts of the north and far south. A 2012 World Bank report revealed that though Bangkok contains 17% of Thailand's population and accounts for 25.8% of GDP, it consumes over 70% of total government expenditures. However, the rural and impoverished northeast, which accounts for 34% of the population and 11.5% of GDP benefits from only about 6% of total government expenditures. This problem is closely associated with education. There is a large disparity in the quality of schools in Bangkok as opposed to those in rural areas. This actually helps facilitate ongoing, persistent socioeconomic inequality; a situation too that in turn provides an opportunity for pro-Thaksin governments to conveniently rely on populist policies to garner votes. Second, there is a deep cleavage between the "wealthy and well-born" and the middle class, on the one hand (which tends to be Thai/Thai-Chinese), and the lower classes (tending toward Thai-Lao and other ethnicities) on the other. Indeed, there is a marked difference in the quality of education between schools for the poor and those for the middle-income or rich. While this cleavage involves not only distributional issues, the socially unjust distribution of income and wealth is definitely a major factor. Third, there is an institutional imbalance between the state and civil society. Ambivalence and sometimes hostility by the military, civilian bureaucrats and the monarchy have produced significant obstacles to a deeper and more sustainable democratic transformation.

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.

Though Thai civil society was initially rooted in the activities of Christian missionaries, Buddhist charities and urban elites, modern civil society evolved from the political space that opened up after 1979. Foreign pressure to assist refugee camps in Thailand was another factor. From 1980 to the review period, the state for the most

Structural  
constraints

5

Civil society  
traditions

6

part has allowed NGOs to evolve uninterrupted. This 30-year period of relative calm is one of the longest such periods 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”) have emerged. The People’s Alliance for Democracy (PAD), the “Multicolor Shirts,” and Pitak Siam are, in 2013, allied with reactionary royalist elements who support a regression of Thai democracy; PAD supporters have used violence to further their cause. The United Front for Democracy Against Dictatorship (UDD) is a broad, diverse social movement supported by businessman-politician Thaksin Shinawatra and includes elements of the lower and middle classes. The group has sought economic and political reforms, and has also used violence to further their cause. In 2013, UDD leaders toned down their vitriol and supported the government of Prime Minister Yingluck. A splinter of the UDD, “Red Siam,” has republican inclinations. Another group is the Red Sunday Group, popular among intellectuals and academics. It is perhaps the first movement characterized as horizontal in terms of organizational structure. In contrast to the Red Sunday Group, most NGOs or movements in Thailand are verticalized, organized around one or a few leaders. At the end of the review period in 2013, the continuing growth of these groups in Thai society and their increasingly frequent clashes represented a dangerous trend. Indeed, these organizations’ contentious character has helped to diminish social trust. Only a much smaller group of “White Shirts” have campaigned for peace. In 2013, the People’s Movement for a Just Society (P-Move) was founded as a mostly non-partisan organization, linking the urban and rural poor who are negatively affected by Thai development policies. Today over 18,000 NGOs are registered in Thailand, with many receiving donations from international agencies.

Four conflicts have the potential to destabilize the country. First, the Malay-Muslim insurgency in Thailand’s southernmost provinces of Yala, Narathiwat and Pattani has contributed to an increasingly hardline stance by southern Buddhists, resulting in heightened levels of violence between Buddhists and Muslims in the area. In 2012, the conflict reached its highest level of violence since 2006. Second, ethnic minorities hold a lingering distrust toward the government in Bangkok following the state’s violent “drug war” against narcotics traffickers in 2003. The Thaksin government’s use of extrajudicial executions left close to 3,000 people dead, many of them victims impoverished hill tribe peoples. A new drug war, launched by the Yingluck government in 2011, has revived the memories of 2003. Third, tensions remain high amid a standoff with Cambodia over control of land abutting a border temple. The conflict, which has occasionally turned violent, has been tense since 2008. Soldiers on both sides of the issue have been killed, and by 2013, a demarcated boundary had yet to be drawn. Following the election of Yingluck in 2011, however, there has been more cooperation. However, as fears in Thailand have grown that the International Court of Justice (ICJ) may award the disputed territory to Cambodia, demonstrations

Conflict intensity

7

in January 2013 by ultranationalists (e.g., the Thai Patriots Group) have threatened to destabilize relations between Thailand and Cambodia. Fourth, the political polarization between Thais who support and those who oppose former Prime Minister Thaksin Shinawatra remains an issue. The importance of this issue grew as questions intensified as to whether the impending royal succession will be stable. Rural dwellers and the lower classes strongly backed the former prime minister, while the urban middle classes and elites did not support him. Protests have turned violent between the anti-Thaksin People's Alliance for Democracy (PAD) and the pro-Thaksin United Front for Democracy Against Dictatorship (UDD). Since the election of Yingluck in 2011, UDD leaders have become less united. In 2012, PAD laid siege to the Thai parliament and successfully prevented a final vote being taken that would start a process of constitutional changes that were favored by Thaksin. In 2013, Thailand remains acrimoniously divided between Yingluck's government and the UDD on one side, and the military, royalists and PAD on the other.

## II. Management Performance

### 14 | Steering Capability

The Abhisit government remained in office until August 2011, propped up by the armed forces, which possessed (post-coup) more political clout and was insulated from civilian control. But the Abhisit government faced continuing political unrest and failed to forge a national consensus. Since the pro-Thaksin, Puea Thai party's landslide electoral victory in July 2011 was followed by quiet, partial accommodation among Thaksin, Yingluck and leading royalists has been instrumental in moderating the conflict. Nevertheless the struggle continues, albeit in a latent form, as Thaksin steadfastly prioritizes amending the constitution to increase the Puea Thai party's power while simultaneously working toward a legislative amnesty for himself. Both of these situations have the potential to destabilize Thailand once again, as indicated by PAD demonstrations in 2012. Despite Thaksin's goals, Prime Minister Yingluck and Deputy Prime Minister Chalerm Yubamrong have prioritized their own survival in office for a full term, and winning re-election. Chalerm himself opposes any constitutional changes. However, the government has strongly backed efforts to legally prosecute former Prime Minister Abhisit and his deputy for at least three crimes (including murder). The government has also failed to reduce violence in Thailand's far south. The Yingluck government has sought to implement more pro-poor policies.

In August 2011, when a Puea Thai-led coalition government was elected, it seemed as though policy implementation would become more smooth and long-lasting since

Question  
Score

Prioritization  
5

Implementation  
6

opposition political parties, the military and protest groups (including both the People's Alliance for Democracy (PAD) and the United Front for Democracy Against Dictatorship (UDD)) accepted the change in government. However, many of Prime Minister Yingluck's new policies were put on hold following catastrophic flooding in 2011 which sapped the economy, already weakened by the global recession. The government also prioritized making legal changes to help former Prime Minister Thaksin over promoting its pro-poor policies. Prioritization has been hindered by corruption and attempts by coalition politicians to divert state resources toward pork-barrel projects for their constituencies. Ultimately, establishing a long-term perspective and applying an overall state management strategy have been either difficult or lacking in coherence.

It can be argued that continuing political acrimony in Thailand has made it difficult for Yingluck to efficiently pursue efficient policy implementation. Protest groups, led by the PAD and UDD, continue to prevent a return to complete political stability—though the situation has markedly improved since 2011. Yingluck has had to contend with entrenched, powerful opponents, including the military. Her government is trying to balance general suspicions over government policies with UDD demands for more action in policy implementation. Compared to the aforementioned policies, the government has spent more time seeking the implementation of constitutional amendments and a “reconciliation” law, both of which would help Thaksin and the Puea Thai party. Yet the implementation of these policies has been hindered by PAD demonstrations, judicial roadblocks and the possibility of a military coup. The Yingluck government has implemented a policy giving police a greater role in combating the insurgency in the far south, which shows no signs of abating.

The decision by the parliamentary and extra-parliamentary opposition to accept the election of Yingluck Shinawatra in 2011 demonstrated that opposition forces had learned to accept an elected pro-Thaksin prime minister, given that pro-Thaksin forces had won every election since 2001. The Yingluck government has demonstrated innovation and flexibility by working with the palace and military, but has pushed for constitutional amendments to increase the Puea Thai party's political power, while seeking an amnesty for Thaksin via a “reconciliation” bill. This two-pronged policy could lead to disaster for the government in the same manner as the troubles experienced by the pro-Thaksin government in 2008, which was driven from power by an arch-royalist judiciary backed by the military. As such, the Yingluck government could be forced from office by the Constitutional Court, which has shown itself to be anti-Thaksin. In this sense, Thaksin and Yingluck have not learned that they should not try to antagonize entrenched arch-royalists if they want the Yingluck government to survive. Prime Minister Yingluck has, however, sought not to provoke the military, as this might lead to a coup. Indeed in the October 2012 military reshuffle, her government made sure not to oppose the elevation of the army

Policy learning  
5

commander's younger brother to a prominent army position. Furthermore, continuing threats and small-scale demonstrations by the United Front for Democracy Against Dictatorship (UDD) and the People's Alliance for Democracy (PAD) indicate that neither side has learned lessons that might lead to political reconciliation. Finally, the Yingluck government (learning from the lessons from her brother's government) has decided to focus on a political rather than military strategy to end the problems in the country's southern regions. This is reflected in the increasing role played by the Southern Border Provincial Administrative Center (SBPAC).

## 15 | Resource Efficiency

From January to July 2011, resource efficiency proved difficult given the violent political and social polarization throughout the country. The post-2011 election period witnessed a less than efficient use of available personnel, budgetary and administrative resources. Overall bureaucratic reforms have only been partly realized. Under the Yingluck government the state debt has grown, with more money spent on populist measures; transparency efforts have continued to fall in efficacy. Inefficiencies persist in the financial market, the banking sector, and in the rule of law. In 2011, a 20-year Energy Efficiency Development Plan (EEDP) was formulated with a target to reduce energy intensity by 25% in 2030. In 2011 and again in 2012, the military has succeeded in obtaining large budgetary allocations. But Prime Minister Yingluck has allegedly used the state budget to help compensate and bail out United Front for Democracy Against Dictatorship (UDD) protestors, who have generally supported her government. Moreover, dismissals and appointments in top bureaucratic and cabinet positions have primarily been based on political loyalty and factional rotations, rather than to improve efficiency, as the prime minister has claimed. Ultimately, some fear that resource efficiency is being sacrificed for partisan benefit.

The Yingluck government, with its "personalist" style of coordination, had to overcome numerous conflicting political objectives to achieve some form of coherent policy. First, Prime Minister Yingluck had to satisfy United Front for Democracy Against Dictatorship (UDD) "Red Shirt" supporters, by backing the prosecution of soldiers and civilians who participated in the repression of UDD demonstrations in 2010. She also appointed a token number of UDD leaders to her cabinet. During the 2011 floods in central Thailand, the Yingluck government was unable to transform conflicting objectives into coherent policies, preferring to assist her supporters in non-Bangkok areas rather than her opponents residing in Bangkok. Her government furthermore moved to implement controversial populist policies. Yet to counter suspicions that she might be seeking to subvert the power of the monarchy, Yingluck has steadfastly continued the prosecution of Thais accused of insulting the monarchy, and has vocally expressed her loyalty to the crown. At the same time, the Yingluck

Efficient use of assets

6

Policy coordination

4

government appeased the military with the continuation of large defense budget allocations. As for the southern counterinsurgency and Thai-Cambodian border dispute, government defense ministers have coordinated closely with the army. It should be noted that policy coordination has been assisted by the informal accommodation between Prime Minister Yingluck and conservative representatives in 2011. Yet this changed at the end of 2011, when the king did not pardon Thaksin for an earlier conviction. The Puea Thai party thus began seeking amnesty for Thaksin through constitutional amendments. At this point any consensus between the government and the combination of the palace/military/judiciary evaporated. In 2013, these three institutions have increasingly lost trust in Prime Minister Yingluck. The result has been diminished policy coordination with these branches.

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) was given the power to investigate and prosecute independently of the attorney general's office. 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, the Office of the Ombudsman, the Constitutional Court, the Election Commission and the Human Rights Commission. The work of these entities has resulted in the convictions of Thaksin Shinawatra, his wife, Prime Minister Samak and other members of parliament (mostly belonging to pro-Thaksin political parties) on charges of malfeasance. Meanwhile, four political parties have been forced to dissolve due to members' corruption. However, at the time of writing the anti-Thaksin Democrat party has never been convicted, though it has been charged with committing crimes on different occasions. In 2013, Thaksin continues to try to recover his assets (worth THB 76 billion) which were seized by the Supreme Court in February 2010. All of these anti-corruption entities have been criticized for showing partisanship. Under the post-2011 Yingluck government, the Political and Economic Risk Consultancy (PERC) ruled that Thailand's efficiency in tackling corruption had risen slightly. In 2012, Prime Minister Yingluck initiated an anti-corruption campaign. In late 2012, parliament passed two amendment bills, the Anti-Money Laundering Act and the Anti-Terrorism Act. However, it remains to be seen whether the government will strictly put enforcement procedures in place.

Anti-corruption  
policy

5

## 16 | Consensus-Building

Though all relevant political actors agree on the need for counterinsurgency measures in the south, as well as on the primacy of the market economy, since 2005 there has

Consensus on goals

5

been an increasing polarization of views on issues of social welfare policy and political transformation which has continued to 2013. A crucial clash revolves around the influence of one man, Thaksin Shinawatra. People either admire or despise the former prime minister. 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 to trigger a second conflict. Pro-Thaksin political parties have done their best to amend the charter, largely unsuccessfully. In 2013, the pro-Thaksin Puea Thai party was continuing to try to make such amendments, but faced resistance from entrenched royalist elites. A third conflict has focused on the role of Thailand’s arch-royalist military. The pro-Thaksin government, which came to power in 2011, has been unable to control the military and friction persists between the two sides. A fourth conflict pertains to whether Thaksin should be given an amnesty and allowed to openly participate again in Thai politics. A final issue pertains to the Thai-Cambodian border conflict, with the Yingluck government favoring mediation and arch-royalists/nationalists/military supporting confrontation. These conflicts have generally prevented the country from achieving consensus on the general goals of political and socioeconomic development, given their ability to divide relevant political actors. However, an unspoken consensus appears to have emerged in favor of Thaksin’s populist policies. Finally, there is consensus that Thailand must continue to be led by the current royal family.

There are several groups of anti-democratic actors in Thailand. Taken together, the power of these actors renders the political system’s democratic mechanisms rather weak, although the government of Prime Minister Yingluck claimed legitimacy through her election by the democratically elected lower parliamentary house.

Anti-democratic  
actors

3

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 sociopolitical groups, the People’s Alliance for Democracy (PAD) and the United Front for Democracy Against Dictatorship (UDD). Elected civilians have no real control over the monarchy, the Privy Council or the military. The military’s power was demonstrated in 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 in December 2008 the formation of the Democrat-led coalition government. The monarchy continues to possess overwhelming formal and informal political power over all other political institutions. Besides cosigning acts of parliament, the king also has the right to veto laws, pardon offenders, dissolve parliament and enact emergency decrees. The king’s political involvement generally takes place behind the scenes. The king’s Privy Council stands as another institution outside the control of democratic forces. The council and/or its members often



officiate for the monarch. Its chairperson, retired General Prem Tinsulanond, holds significant influence within the armed forces.

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 and has not been audited.

Insurgents in the far south have persistently resorted to violence in their struggle with the Thai military.

Closer to the political mainstream, the anti-Thaksin group PAD represents another anti-democratic actor. Mob gatherings of PAD supporters engaged in violent civil disobedience in 2006, 2008 and 2012. In 2008, the pro-Thaksin UDD supporters clashed violently with PAD supporters. In 2009 and 2010, the UDD launched demonstrations which got out of control and became violent, flouting the rule of law. Other smaller protest groups, including "Rescue Siam," engaged in semi-violent demonstrations in 2012. Since 2011, both the PAD and UDD have threatened renewed violent demonstrations, while a coup by the military remains a possibility.

Thailand faces one deep political cleavage based around geography and class, and another pertaining to ethnicity and religion. The first sets impoverished rural farmers, middle-income peasants and provincial business people in Thailand's populous north/northeast against urban middle class people, centered mostly in the capital Bangkok. Traditional societal pillars (military, monarchy and metropolitan businesses) adhere to this latter position. Other groups, including Bangkok-based professional associations and the Democrat Party, also support the urban viewpoint, while academics and journalists are divided. This cleavage has revolved around support for and against Thaksin Shinawatra, who has championed policies to help the poor. The cleavages based around Thaksin have led to violence on numerous occasions.

In 2012, a Reconciliation Commission (appointed by Abhisit) issued a final report on the 2010 violence (that led to the deaths of over 90 people following military repression) which blamed both United Front for Democracy Against Dictatorship demonstrators and soldiers. Despite the report, the Yingluck government has only sought to indict soldiers and Abhisit himself for the repression. Ultimately, there remains little if any reconciliation between those for and against Thaksin. However, open conflict has diminished.

With regard to ethnic and religious cleavages, a long-simmering Malay-Muslim insurrection against Thai rule in three far-south provinces has, in 2013, worsened. Insurgent attacks against Thai Buddhists (followed by revenge attacks) aggravated the situation further. The insurgency at the time of writing continues unabated. Efforts at peace and reconciliation in the south have not as yet been successful.

Cleavage /  
conflict  
management  
3

In Thailand, civil society voices since the early 1980s have gradually become increasingly influential. 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 generally opposed to former Prime Minister Thaksin's hegemonic party state. Thaksin either tried to co-opt civil society or isolate his opponents within it. The People's Alliance for Democracy (PAD) "Yellow Shirts" and United Front for Democracy Against Dictatorship (UDD) "Red Shirts" represent a violent development 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 political and social schism in Thailand. Smaller groups allied to either PAD or UDD have also appeared, though they have remained peripheral. In June 2012, PAD engaged in mob violence in front of parliament and the Yingluck government did not intervene. However, in November 2012, when the anti-Thaksin "Pitak Siam" also demonstrated, these protests were repressed by pro-Yingluck police. In 2013, the Yingluck government has involved members of the UDD and other pro-Thaksin associations in agenda setting. The government has also given advisory or political positions to academics or social activists viewed as sympathetic to former Prime Minister Thaksin. Yet the government does not work with anti-Thaksin civil society actors, though the latter voices their opinions through the media and in protests.

Civil society participation  
5

The government is confronted with several challenges related to political reconciliation. The state has used force against the rebels of the far south Malay-Muslim insurgency, but has also sought to improve the lives in general of Malay-Muslims in the region. Regardless, violence has increased in the far south. The empowering of northern ethnic minority voters has become a lower priority goal through successive governments. The state has followed a policy of systematic repression of ethnic minorities in the north, especially as these groups have often been associated with narcotics smuggling. In terms of historical ethnic, religious and class injustices, Thailand's political leadership has used an ideology constructed around its monarch to shape loyalty to the state. In elite politics, divisions still exist over former Prime Minister Thaksin and the 2007 constitution. The Democrat Party and People's Alliance for Democracy (PAD) supported the 2006 coup, the 2007 constitution and, in 2013, opposed Thaksin. The pro-Thaksin Puea Thai party and the United Front for Democracy Against Dictatorship (UDD) want to return Thaksin to power and bring back the 1997 constitution. The issue of Thaksin may lead to renewed violence, as the country stands deeply divided over this issue. After military repression in May 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 biased, as he had served in a Democrat government and in the military administration of 2006 to 2008. In 2012, the Kanit commission concluded that both soldiers and UDD

Reconciliation  
3

protestors were responsible for the 2010 violence. Among its recommendations were that the military become apolitical; that Thaksin withdraw himself from politics; and that there should be more decentralization of power. Also in 2010, respected academic Prawase Wasi was appointed chair of the Committee on Reform Assembly. In 2011, this committee concluded that the crisis would dissipate if poor farmers were each given small plots of land. Neither the Yingluck government nor the UDD accepted the findings of either panel. Instead, they have championed constitutional amendments and a “reconciliation” bill (which would erase a conviction against Thaksin). They have also put their weight behind prosecutions by the Department of Special Investigation (DSI) of soldiers as well as ex-Premier Minister Abhisit and his deputy, Suthep Thaugsuban. In December 2012, the DSI charged Abhisit and Suthep with murder over deaths that occurred during the 2010 military crackdown of Red Shirt protests in Bangkok. Neither the Yingluck government nor the DSI is pursuing any charges against UDD protestors. In 2013, as of the time of writing, in Thailand any moves toward “reconciliation” have become effectively lost in favor of partisan preferences.

## 17 | International Cooperation

The Yingluck government, legitimized through elections, publicly expressed an aim to pursue democracy and national reconciliation. In late 2011 the World Bank offered Thailand a \$1 billion loan toward flood-prevention projects, though it also received such proposals from the Asian Development Bank (ADB), the Japan Bank for International Cooperation and the Japan International Cooperation Agency. The ADB in particular approved loans for other projects, including for solar and gas power projects, a capital market development program and a motorway project. The government of China is also investing in water management projects as well as a high-speed train from China to Thailand.

So far the Yingluck government has made no serious effort to find external backing to support reconciliation between “Red Shirt” supporters and anti-Thaksin “Yellow Shirt” opponents. In the far south, though the government has backed some reconciliation measures between Malay-Muslims and state-allied Buddhist militants, it has given more priority to repression of the Malay-Muslim insurgency. Though the state has not allowed any external mediation of the conflict, it has permitted the United States Agency for International Development (USAID) to operate a pro-peace program through civic education and the media, which addresses the causes and consequences of violent conflict.

The 2011 general elections and the ability of the elected government to survive in office as of 2013 helped to build the international community’s confidence that the country might once again become a reliable partner in promoting market-based democracy (despite a continuing political divide). Such durability was a relief given

Effective use of support

5

Credibility

6

the instability of five governments and numerous anti-government demonstrations since 2006. Thailand's credibility was further buttressed by better relations with Cambodia beginning in 2011. Finally, a powerful army has helped to cement international trust. However, the Yingluck government has worried foreign investors because of its reputation for heavy spending rather than championing economically conservative programs. Meanwhile, the growing violence of the insurgency in the far south is diminishing the hope of the international community that the government will be able to restore peace and order to the region.

The global intergovernmental Financial Action Task Force (FATF) on 22 February 2013 upgraded Thailand from "dark gray" to "gray" status, regarding government efforts in combating money laundering and terrorism financing worldwide. Though the Thai government has recently passed an amendment of these two bills, the FATF will not fully recognize the new status of Thailand as "gray" until the government completely enforces these new amendments.

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 Multisectoral Technical and Economic Cooperation (BIMSTEC), the Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy (ACMECS) and the Asian Cooperation Dialogue (ACD).

Regional  
cooperation  
6

From 2008 to 2013, there have been periodic violent clashes on the Thai-Cambodia border. In 2012 these had at least temporarily subsided. From 2011 until 2012, Thailand-Cambodia trade had increased by 21%; Thai-Lao trade had gone up 36%; and Thai-Myanmar trade had skyrocketed by 25%. Also in 2012, Thailand and Vietnam agreed to increase their trade by 20% (with a goal of \$18 billion annually) by 2015. Finally, Thailand and China are seeking to increase trade to \$120 billion annually by 2017. From 2004 until 2012, Thailand has invested approximately THB 15 billion in a growing number of joint projects with its ACMECS neighbors. As part of ACMECS, in 2012 two bridges were being constructed, linking Thailand to Laos. Also, in 2012 Thailand approved 203 projects worth over THB 30 billion (\$1 billion) to support a deep-sea port and industrial zone in Myanmar's port of Dawei. Thailand's International Cooperation Agency coordinates overseas development assistance to its neighbors, administering over \$90 million in partnership programs each year. In 2013, Thailand ardently supports ASEAN+6 and is studying the U.S.-led Trans Pacific Partnership.

## Strategic Outlook

Though Thailand's economy has continued to grow during the review period, political instability persists. Political parties exist as mechanisms of dominant personalities and civil society is nascent, but two dominant social movements are violently polarized along elite lines, essentially support for or against former Prime Minister Thaksin. The split is comprised of nouveau-riche urban businesspeople and lower classes on one side versus the monarchy, established elites, the middle classes and the military on the other. The king has increasingly called for reconciliation. In late December 2012, the monarch's top advisor Privy Council Chair Prem echoed this point of view by referring to the political divide as merely "differences of opinion." Meanwhile, the lower classes, stirred by Thaksin, are demanding a greater political voice and enhanced levels of equity. The alternative to reconciliation is a further heightening of polarization and violence. Indeed, real power manifests itself as an elite joust between Thaksin and royalist elites. Since mid-2007, two crucial anti-Thaksin players – an increasingly politicized (and powerful) military and a strengthened judiciary – have wielded significant power. At the same time, pro-Thaksin forces have energized themselves following the 2011 election of Thaksin's sister, Yingluck Shinawatra. Her government has managed to remain in office, thanks partly to Thaksin's popularity and money, but also to an accommodation between royalists and Thaksin himself. This compromise indicates that democracy in Thailand remains top-down, elite-oriented and defective. However, the opposition Democrats' victory in the 2013 gubernatorial elections and ruling party's acceptance of defeat was a recent positive sign for Thai democracy. At the time of writing, Thailand's next general election will probably take place in July 2015. If Prime Minister Yingluck aims to complete her term and seek re-election, she must not rush toward constitutional amendments nor grant an amnesty for Thaksin, or she will be publicly branded as a partisan. As a result, anti-Yingluck protests may occur, which might trigger rallies by the United Front for Democracy Against Dictatorship or "Red Shirts." In the long run, for Thailand to establish more permanent political stability there will have to be a stable monarchical succession followed by some sort of more permanent accommodation between the two opposing political camps. This will require compromise, though it will be elite-dominated. The old order will have to accept Thaksin or work with his proxies. Meanwhile, Thaksin may have to forego his desired constitutional reforms which seek to reduce the power of the judiciary. Both sides may have to compromise, with Thaksin having to accept a smaller number of charter changes and the arch-royalists having to suffer a military under more civilian control.

As of 2013, Thailand's leaders appear to have been unable to place authentic national reconciliation above partisan bickering. Voters need greater civic education to ensure their active participation in a democracy where vote-buying is discouraged. Thailand's elites must accept populist socioeconomic reforms or welfare policies initiated by Thaksin, and future governments must build on these. Enhanced political turbulence could derail economic expansion. In addition, the state should be careful to balance populist welfare policies with efforts toward stabilizing the

baht and guaranteeing more market stability. At the same time, more commitment to banking regulations would clearly work toward strengthening the banking system in Thailand. Rising inflation, the effects of the global economic crisis and Thailand's persistent domestic instability all pose continuing threats of disruption to Thailand's banking system and capital markets. Economic and social development must be increasingly robust and sustainable. Furthermore, Thailand's government needs to work toward more peaceful reconciliation in the far south, rather than prosecuting a repressive counterinsurgency.