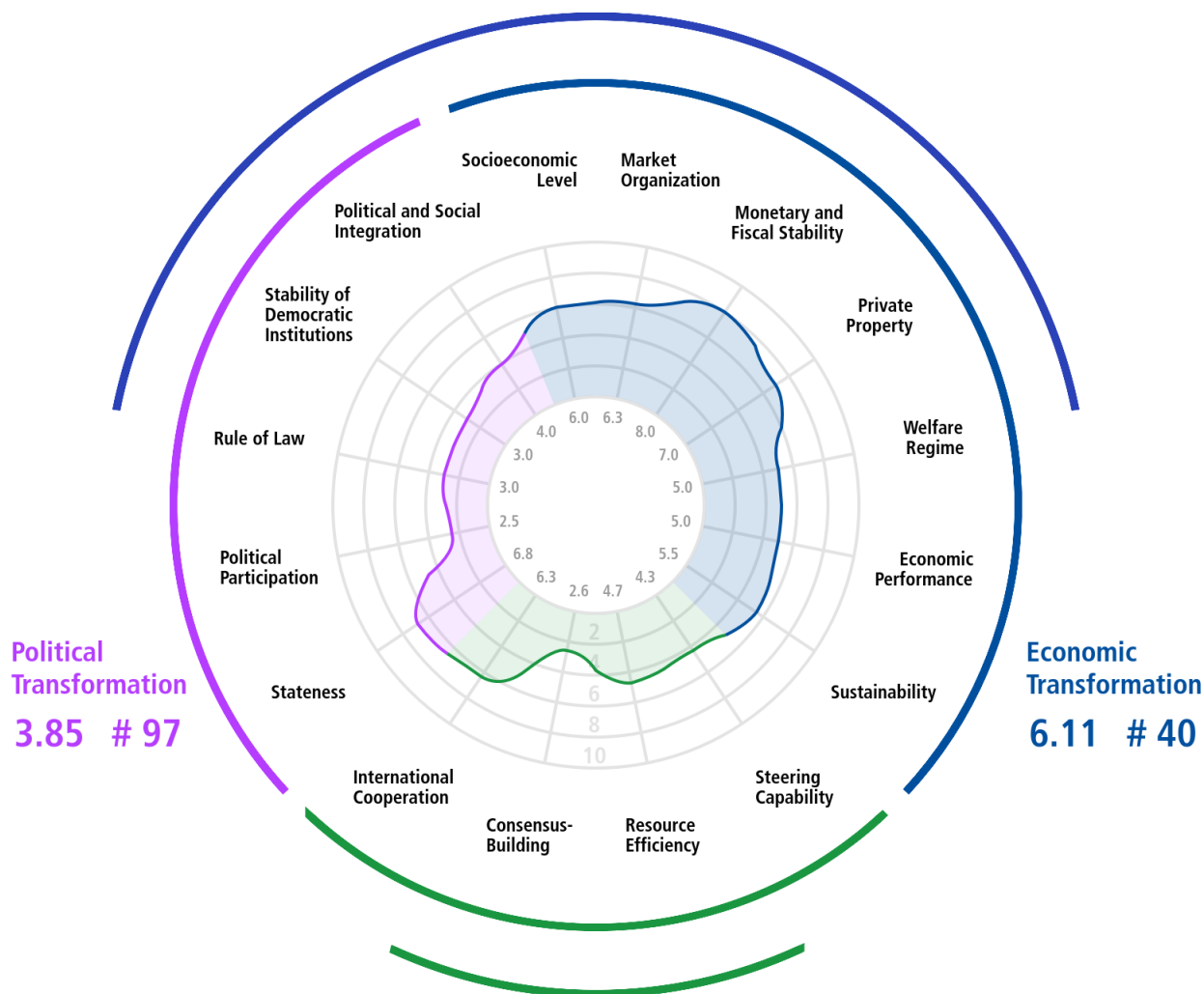


Thailand

Status Index

4.98 # 75

on 1-10 scale out of 137



Governance Index

4.02 # 92

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2022**. It covers the period from February 1, 2019 to January 31, 2021. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

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Key Indicators

Population	M	69.8	HDI	0.777	GDP p.c., PPP \$	18236
Pop. growth ¹	% p.a.	0.3	HDI rank of 189	79	Gini Index	34.9
Life expectancy	years	77.2	UN Education Index	0.682	Poverty ³	% 0.3
Urban population	%	51.4	Gender inequality ²	0.359	Aid per capita	\$ -4.9

Sources (as of December 2021): The World Bank, World Development Indicators 2021 | UNDP, Human Development Report 2020. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.20 a day at 2011 international prices.

Executive Summary

The review period commenced with the authoritarian government (in power since 2019) of Prime Minister General Prayuth Chan-o-cha, a former military junta leader. The legal foundation for the current administration rests on the junta-instituted 2017 constitution and the multiparty elections of 2019, neither of which were free nor fair.

Though Maha Vajiralongkorn became king upon the death of his father Bhumipol in October 2016, his coronation occurred in May 2019. The new monarch has proven adept at centralizing more power within the palace. However, he is not as popular as his father was.

The 2017 constitution specifically created a disjointed electoral system, preventing political parties from obtaining a majority of seats in the lower house and enabling the junta to appoint senators. A general election was held on March 24, 2019, overseen by an Election Commission whose commissioners had been appointed by the junta. The election resulted in a coalition government dominated by military proxy party Palang Pracharat, which selected Prayuth to be prime minister. Prayuth's government can potentially serve until the end of the parliamentary term in 2023.

The elected lower house is characterized by a chaotic collection of multiple parties and intraparty factionalism. Opposition in the lower house has been led by the pro-Thaksin Shinawatra, Pheu Thai party. The smaller opposition party, Future Forward, was dissolved by the junta-appointed Constitutional Court in February 2020. Its leader Thanathorn Juangroongruangkit, who is currently barred from politics, remains hugely popular. Since July 2020, student demonstrations have intensified throughout Thailand. They are pushing for Prayuth's resignation, amendments to the constitution and monarchical reform.

2020 saw the state of Thailand's economy deteriorate into its worst conditions since the 1997 financial crisis. Exports and tourism fell sharply, and most economic indicators weakened significantly. The slump resulted from problems in economic management, effects of the U.S.-China trade war, and the impact of the intensifying global COVID-19 pandemic.

The government sought to address the pandemic by placing the country under an Emergency Decree in March 2020 and instituting stringent quarantines for Thais and foreigners alike. However, in late December 2020, there was a sudden spike in the number of cases of COVID-19. By late January 2021, there were 13,500 cases and 73 deaths, data which still compares extremely favorably to the rest of the world.

Thailand's Deep South region continues to experience insurgencies. A state strategy, combining intensifying repression and continued negotiations with rebel leaders, appeared to be failing in 2019. However, by 2021, these tactics appeared to meet with some success, resulting in fewer violent incidents.

History and Characteristics of Transformation

The history of Thailand has been dominated by legacies of authoritarian–state control over society, politics and the economy. Thailand was an absolute monarchy until 1932 when an alliance of military officials and civilians usurped power. This resulted in the establishment of a military-dominated regime.

Since 1946 there have been several attempts by civilians to establish and sustain democracy but all have been quashed by authoritarian forces. Violent military repression in 1992 against Thais demonstrating against a 1991/92 military junta forced a transition to electoral democracy, which lasted until a 2006 military coup. That putsch forced Thaksin Shinawatra from office, a prime minister who had challenged the informal tutelage of the political system by monarchy and military.

During the late 1980s, entrepreneurs increasingly replaced civil servants in guiding Thai economic policy, while state-led economic growth was rejected in favor of private sector-led, export-oriented industrialization based on cheap labor, lax investment laws and tourism. In 1997, a financial crisis caused the economy to plummet, though it contributed to the election of Thaksin, a popular populist who implemented welfare policies.

The 2006 coup-leaders forced Thaksin into exile and enacted a new constitution which weakened the powers of elected prime ministers and political parties. Nevertheless, a pro-Thaksin party won the December 2007 election. To force it from office, in December 2008, Thailand's arch-royalist elites resorted to “lawfare”, using an anti-Thaksin judiciary to dissolve the pro-Thaksin party for supposedly violating the constitution. Days later, senior officers in the armed forces, together with representatives from the king's Privy Council, helped cobble together an anti-Thaksin coalition government. In 2009 and 2010, the army violently suppressed pro-Thaksin (“Red Shirts”) protests against this coalition government.

The pro-Thaksin Puea Thai party, led by Thaksin's sister Yingluck, won a landslide victory in the 2011 elections. Her government implemented a new round of populist reforms, but also attempted to pass an amnesty bill for Thaksin, which provoked violent anti-Thaksin urban protests in 2013/14. In 2014, the judiciary voided a February election and forced Yingluck out of office on a technicality. Then, on May 22, 2014, the military ousted the elected government in a coup.

From 2014 until 2019, the National Council for Peace and Order (NCPO) junta maintained authoritarian control over Thailand, temporarily putting military courts as the highest courts in Thailand, imprisoning dissenters, quashing academic meetings, censoring telecommunications, sending suspected opponents to undergo “attitude adjustment” and forcing many Thais into exile. In terms of the economy, the junta depended upon foreign tourism, while promoting foreign investment in mega-projects, Special Economic Zones and greater extraction of natural resources. The NCPO copied parts of Thaksin’s populist policies in an attempt to win some popular support. The junta oversaw the 2016 to 2019 royal succession and coronation of King Maha Vajiralongkorn, the enactment of the 2017 constitution and the 2019 election, which allowed NCPO junta leader General Prayuth to remain in office as prime minister.

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

The single most relevant rival to the state’s monopoly on the use of force is the fragmented Malay-Muslim insurgents, who are primarily active in the three southern provinces with a Malay-Muslim majority, near the border with Malaysia. The most recent episode in this century-old conflict began in 2004. Since then, thousands of civilians, members of the Thai security forces and presumed insurgents have been killed, and many more have been wounded. The economic costs of the conflict have exceeded \$8 billion. The state has been unable to quell the insurrection. Insurgent guerrilla attacks occur on a weekly basis, successfully challenging the state’s monopoly on the use of force in this part of the country.

Thailand is a multiethnic country, though its elites have succeeded in generally constructing an identity of “Thainess” in an attempt to coalesce all ethnic groups together under the monarchy. Nevertheless, difficulties in achieving unity have resulted in forced assimilation and denial of citizenship rights. Some groups have refused to accept assimilation. The greatest challenge comes from Malay-Muslim insurgents in Thailand’s southernmost provinces (the so-called “Deep South”).

The Nationality Act (2008) grants total authority to the state to revoke citizenship from naturalized citizens. The process of naturalization has improved over the years, but ethnic minorities are still vulnerable to human trafficking. An example of this occurred in 2013 when members of Thailand’s military were implicated in trafficking Rohingya people. Attempts by the Thai state to “Thai-ify” the Deep South, where Malay-Muslims dominate the population, have ranged from violent repression to the imposition of Thai culture and education. Since 2004, when the insurgency intensified, more than 7,000 people have been killed and over 12,000 wounded. During the COVID-19 pandemic, border-based ethnic minorities have suffered discrimination for possibly transmitting COVID-19.

Question
Score

Monopoly on the
use of force

7

'06 '22 10



1

State identity

7

'06 '22 10



1

The current 2017 constitution allows for freedom of religion while forbidding discrimination based on religion. However, informally, Buddhism pervades Thailand as the dominant religion. The Thai king can only be Buddhist and the state permits only Buddhist national holidays, subsidizes only Buddhist institutions and has banned the insulting of Buddhism. Meanwhile, the government limits the number of foreign non-Buddhist missionaries allowed into Thailand.

State authorities allied with mainstream Buddhist groups (particularly Theravada Buddhism) have been accused of intimidating non-traditional Buddhist variants (e.g., Dhammakaya) and coercing Malay-Muslims (and their Pondok schools) in Thailand's Deep South. On the other hand, Thai authorities continue to encourage interfaith dialogues. Among religions, only the teaching of Buddhism is allowed in public schools.

Administrative state structures provide basic public services across the country. For example, in 2019 approximately 93% of the population had access to improved sanitation facilities and 98% had access to improved drinking water (World Bank). However, the administration generally operates more efficiently in urban centers than in rural areas. The provision of jurisdiction, tax authorities and law enforcement, as well as the administration of communication, transport and basic infrastructure (such as water, education, health) are provided throughout the country, but they are most accessible (as well as offered in sufficient quantity and quality) in Bangkok and provincial urban settings. Thailand's bureaucracy is highly centralized. Corruption and lethargy are endemic among bureaucrats. Thailand's generally efficient yet autocratic administrative structure has allegedly helped it to manage the COVID-19 pandemic. In fact, services in basic infrastructure have been limited or disrupted. Some of these cuts in services have been enduring, including the closure of in-person education at most schools. The COVID-19 pandemic has enabled the regime to rationalize its continued hold on power since March 2020.

2 | Political Participation

In Thailand elections are conducted, but they are not free and fair. The 2019 general election was overseen by an Election Commission whose commissioners were appointed by the 2014 – 2019 military junta. The constitutionality of election laws were decided by the Constitutional Court, members of which had been appointed by the junta. The same junta supported one political party running in that election – Palang Pracharat – which triumphed. The electoral formula chosen by a committee selected by the junta made it impossible for any party to win a majority in the lower house of parliament. The junta's 2017 constitution mandates that a junta-appointed Senate can participate in the selection of a prime minister, increasing the chances that the junta's preferred candidate will win. The 2019 election – stage-managed by and for Thailand's junta and military – brought junta leader General Prayuth Chan-ocha to power as prime minister, leading a coalition dominated by military proxy party, Palang Pracharat. Local level elections were held in December 2020.

No interference of religious dogmas

6



1

Basic administration

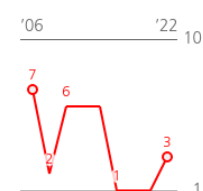
7



1

Free and fair elections

3



1

Provincial elections were delayed slightly until December 2020, due to the COVID-19 pandemic, though they did take place on December 20. There were notable irregularities in the ballots, which prompted the Election Commission of Thailand (ECT) to rerun elections in 18 provinces.

Thai politics and state power is dominated by the monarchy. The army-dominant military also enjoys several enclaves of power, unrestrained by the law. The king's Privy Council and heads of the royal household enjoy near legal impunity. The current Senate was appointed by a 2014 – 2019 military junta. Current Prime Minister General Prayuth Chan-ocha is the former junta leader and is still influential in the military. Only under these autocratic conditions do elected representatives exist, in the lower house of parliament and at the local level, though their authority is understandably limited.

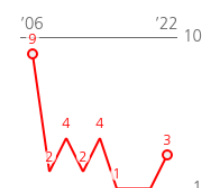
Political and civil society groups are treated very inconsistently, depending on whether they are perceived as a threat to Thailand's aristocracy and military. The 2014 – 2019 junta variously applied the Martial Law Act, Emergency Decree and junta orders to muzzle association and assembly rights of regime opponents. Following the 2019 elections, which resulted in a slight widening of the political space, the state still sought to deny association/assembly rights to people accused of violating Section 112 of Thailand's Criminal Code (*lèse-majesté*).

The state also sought to deny these rights by instituting an Emergency Decree, citing the need to prevent the spread of COVID-19. In 2020, security forces used excessive force against peaceful protesters belonging to groups under the pro-democracy movement Ratsadorn (The People). The state has also crushed demonstrations by farmers, unions, ethnic minorities and refugees. The present State of Emergency has been extended several times and is still in place as of February 2021. An increase in the number of cases of COVID-19 in January 2021 gave a pretext for the state to again quell association and assembly rights. At the end of January 2021, the COVID-19-related Emergency Decree had once again been extended and remains in place.

With the end of direct military rule in June 2019, the state partly relaxed its 2014 – 2019 dictatorial repression of freedom of expression. However, Section 112 of Thailand's Criminal Code (*lèse-majesté*) and a restrictive Computer Crimes Act still inhibit freedom of expression. Though the number of *lèse-majesté* cases diminished after 2017, in 2020 student protest leaders were charged with *lèse-majesté*. The number of charges based upon the Computer Crimes Act has increasingly outpaced charges filed under Section 112. The state has also attacked freedom of expression through a Sedition Act, Criminal Defamation Act, and the 2019 creation of an "Anti-Fake News Center" which closely monitors the media for any violations of the aforementioned crimes, violations of which can result in multiyear prison terms. These laws have promoted self-censorship in all forms of Thai media.

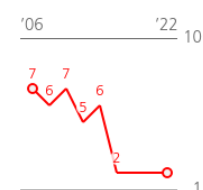
Effective power to govern

3



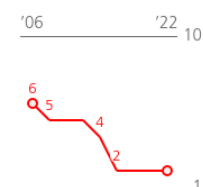
Association / assembly rights

2



Freedom of expression

2



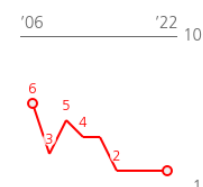
3 | Rule of Law

Thailand's constitution mandates a formal separation of powers and checks and balances between a prime minister-led cabinet, a parliament and a judiciary. However, the current members of the Senate were appointed by the military junta, which also indirectly selected the judges in all of Thailand's current courts. Previous junta leader Prayuth Chan-ocha, and deputy junta leader Prawit Wongsuwan, retained their positions of Premier and Deputy Premier respectively, following the 2019 general election. Their continuing clout has further eroded any attempts at a separation of powers. Thailand's March 2020 declaration of a State of Emergency enabled the military-dominated charade democracy to temporarily resurrect its pre-2019 autocracy, using the COVID-19 pandemic as an excuse. Technically, the application of an Emergency Decree was legal, but the resurrecting of autocratic measures for the government was not necessary or proportional to the pandemic crisis at hand. The establishment of the Emergency Decree considerably diminished parliamentary oversight and judicial review of the government

Thailand's judiciary is differentiated into the Constitutional Court, courts of justice, the administrative court and military court. Besides the Constitutional Court, each branch has an appeals court and a supreme court. Thailand's monarchy cannot be judged by a court. Since 1997, there have been several "independent" monitoring organizations. The judicial branch and independent agencies have been extremely politicized and (since the 2006 coup) perceived as tools of the arch-royalists. Since 2006, they have consistently ruled in favor of traditional (pro-monarchical) interests. Current judges on Thailand's Constitutional Court were nominated by the 2014 – 2019 junta. The Constitutional Court has appeared partisan: in 2019 it dissolved the pro-Thaksin Thai Raksa Chart party and disqualified leading opposition leader Thanathorn Jungroongruangkit as an elected member of parliament. In early 2020, it dissolved the Future Forward party, of which Thanathorn had been party leader. In late 2020, it ruled that Prime Minister Prayuth did not violate the law by residing in military housing, despite his retirement from military service. Military courts have been regularly used since the 2006 coup to stifle and punish political dissent. Administrative courts, however, have appeared to be more impartial and less subject to political biases.

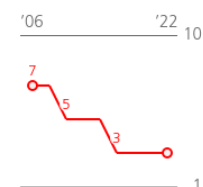
Separation of powers

2



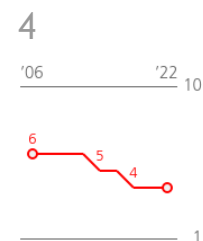
Independent judiciary

3



In Thailand, the prosecution of public officeholders who break the law and abuse their positions has always been political. Since the 2006 coup, all cases of malfeasance against opponents of Thailand's entrenched arch-royalist order (e.g., Thaksin) have been successful. In May 2014, Prime Minister Yingluck Shinawatra was forced to resign for abuse of office. In 2021, Thaksin and Yingluck, each convicted of various crimes, remain in self-imposed exile. Thaksin's son is under investigation. In 2020/21, Prayuth's political opponents (Thanathorn and the leadership of the Future Forward party) were forced to step down as elected politicians. They continue to face possible prison terms. Meanwhile, cases against members of the arch-royalist order have met with little success. Leaders of the 2014 – 2019 junta (alleged to have committed corruption) have never faced an impartial judicial investigation. In late 2020, Prime Minister Prayuth was not convicted for residing in military housing despite having retired. Key members of Prayuth's Palang Pracharat party have escaped prosecution for crimes, though lesser ones have been penalized.

Prosecution of office abuse



The 2014 military-imposed constitution granted immunity to junta leaders for violating civil rights during their period in office (2014 – 2019). The establishment in 2019 of a pseudo-democracy resulted in marginally more political space and increased civil rights. However, the advent of the COVID-19 pandemic in 2020 gave Thailand's government a rationale to quash civil rights again. The declaration of an Emergency Decree in March 2020 permitted the government to restrict freedom of assembly and control the dissemination of information. The government extended this decree and it was still in effect as of March 2021.

Civil rights



The absence of monitoring measures allowed the government to disproportionately constrain freedom of expression, and in general, any possibility of opposition to the government. When pro-democracy student protests began in July 2020, the government adopted a more repressive “severe state of emergency” in October, which facilitated the violation of protesters' civil rights. In 2021, police continued to arrest protesters for violating the Computer Crimes Act, the Lese Majeste law and the Emergency Decree. The use of, or threatened use of these laws, was applied to internet users and those criticizing the government's health policies. The laws diminished personal liberties, equal access to justice, and due process under the law for government opponents.

An Anti-Domestic Violence Act was passed in 2007. It remains inadequate and violence against women remains a significant issue in Thai society. Similar, while Thai society generally accommodates LGBTQ+ behavior and participation in society, same-sex marriage is still illegal in 2021. The parliament passed a gender equality act in 2015. The law aims to punish discrimination based on gender identity and sexual orientation, with violators facing up to six months in jail and a THB 20,000 fine. However, it appears that this law is trumped by laws related to situations of national security (e.g., Deep South), which allow officials to treat women with impunity.

Rohingya refugees continue to suffer civil and human rights abuses: Thai authorities have tended to either detain them indefinitely or return them to Myanmar where they face human rights violations. It has been revealed that army and navy officers have been involved in abusing Rohingya and other ethnic groups with legal impunity. Thailand has failed to ratify U.N. conventions on refugees, and has forcibly repatriated Burmese, Hmong and Rohingya refugees.

4 | Stability of Democratic Institutions

During the review period, Thailand was an authoritarian regime masquerading as a democracy. There is an elected lower house and an appointed upper house (Senate) whose members are overwhelmingly representatives of the bureaucratic-military-monarchical ruling coalition. In contrast to the electoral democracy that existed from 1992 to 2006, and again from 2008 to 2014, the current prime minister does not have to be an elected member of parliament (indeed, Prime Minister Prayuth is not).

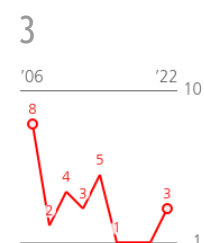
The appearance of elections and rights on paper is unstable, ineffective, and unable to exert elected civilian control over monarchy and military. This democratic facade acts as a mask covering the control of the country by monarchy and military. There is potential for future democratization in Thailand, but it is unlikely that it will come from within these institutions. More likely (though, not necessarily very likely) is democratization by nonviolent mass protest (similar to 1973 and 1992).

The notion of democracy has been highly contested throughout the course of the 2005 – 2014 political crisis in Thailand. The 2014 – 2019 military junta abolished Thailand’s defective democracy, replacing it with authoritarian rule. In 2021, there is a deep political divide in Thailand, with one side supporting Prayuth’s semi-democratic regime (as endorsed by the monarchy), and the other side vociferously calling for democratic reforms. This division was reflected in voting behavior in the election of March 24, 2019.

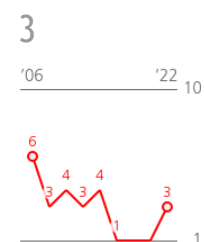
The junta-appointed Constitutional Court’s dissolution of the progressive and popular Future Forward Party in February 2020 radicalized opposition to Prayuth. Youth-led demonstrations began regularly from July 2020, calling for Prayuth’s resignation, amendments to the 2017 constitution, and monarchical reform. It is possible that the growing chaos could lead to violence and/or a military coup.

Thailand’s autocratic regime has used its need to manage the pandemic as a rationale for implementing and extending its use of exceptional powers (emergency decree) to dominate parliament.

Performance of democratic institutions



Commitment to democratic institutions



5 | Political and Social Integration

Traditionally, Thailand's party system has been under-institutionalized, unstable, highly fragmented, polarized and factionalized. Parties tend to be driven by elites with shallow roots in society. Rank-and-file members have little influence over party decisions; party switching is rife and party operations generally lack transparency.

Under the post-2014 military junta, parties were forbidden from holding meetings or engaging in political activities. In December 2018, the junta rescinded its ban in preparation for the March 2019 general election. The junta-devised electoral formula made it impossible for parties to win a lower house majority of seats, as well as enhancing party divisions and intraparty factionalism. The election produced an equilibrium of parties in the lower house (there are no elections or parties in the Senate). This was divided between the junta-created Palang Pracharat (which formed a ruling coalition) and its smaller party allies on one side, and the pro-Thaksin Pheu Thai and its allied parties on the other side (which formed the opposition). Three medium-sized parties existed between these two groups: the Democrats and Bhumjaithai (which joined the coalition) and Future Forward (which joined the opposition). In February 2020, Future Forward was dissolved by the junta-appointed Constitutional Court, and it was succeeded by the smaller Move Forward Party. Provincial-level elections held in December 2020 did not require candidates to belong to parties.

The strength of societal organizations and interest groups has varied depending on the sector in which they operate.

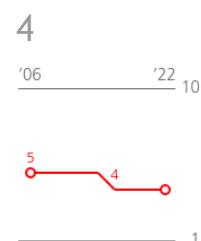
Before the 2014 coup d'état, politically-based social movements, specifically the pro-Thaksin United Front for Democracy Against Dictatorship (UDD) "Red Shirts" and anti-Thaksin People's Democratic Reform Committee (PDRC), acrimoniously opposed each other. Business associations, especially the Thai Chamber of Commerce (TCC) and Federation of Thai Industries, have been efficient in influencing state policy. Labor unions have been mostly unsuccessful. The alliance of groups which forced pro-Thaksin governments from power in 2006 and 2014 included societal groups such as "Yellow Shirts," the PDRC, the Democrat party, some NGOs, some professional associations, and business elites. During the 2019 general election, the UDD supported the pro-Thaksin Pheu Thai and Pheu Chart parties, while anti-Thaksin interest groups backed the conservative Palang Pracharat and Democrat parties. Urban youths – organized into pro-democracy interest groups – supported the Future Forward Party. Following its 2020 dissolution, young people began demonstrating in favor of democratic, military and monarchical reform.

The explosive growth of social media usage in the past decade has vastly expanded the numbers of new digitally mediated social organizations, thereby enlarging the civic space. The 2020 youth-led protests have demonstrated the diversity of new online civic groups, which converged for political goals, but were by and large markedly different from one another.

Party system



Interest groups



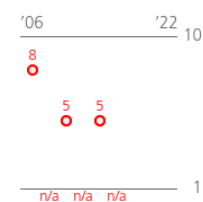
Thai society and its elites are divided over democracy, with the urban middle class less supportive, and the rural poor seeking an immediate end to military rule. Polls connected to right-wing societal groups find strong popular support for, and high levels of satisfaction with, the junta. The junta claimed popular legitimacy in 2016 because of the passage of a referendum on a military-supported constitutional draft, in which opponents were prevented from campaigning against it. Intensifying civilian preference for a return to democracy pressured the junta into holding a general election in March 2019. Many Thais thought the election might lead to a more democratic Thailand. Anti-Thaksin Thais supported the formation of an elected government led by ex-junta leader Prayuth. The February 2020 dissolution of the highly popular Future Forward Party dismayed many young people, who sought an end to Prayuth's rule. Since July 2020, demonstrations demanding more democracy, which have occurred in Bangkok and other parts of Thailand, attest to the fact that popular approval of the current state of democracy in the country has diminished considerably. However, as evidenced by some polls, Thais remain divided over Prayuth's government. The COVID-19 pandemic has convinced some Thais of the need to have a strong regime in power, such as that of the current prime minister, while others want more accountability.

In Thailand, the family and clan are at the heart of social behavior and collective action. Dense social networks have brought forth business associations, unions, NGOs and student groups. The military junta promoted social enterprises and social capital as part of its 20-year national strategy, labeled "Thailand 4.0." The junta created a revolving fund for promoting social enterprises, to be financed in part by the profits generated by social enterprises themselves. Individuals investing in the equities of social enterprises could receive a tax deduction for the invested amounts.

Since the 2019 general election, Thailand's government has intensified efforts to spark greater social capital-based relationships, viewing social capital as filling the gap left by weak public sector accountability. Consecutive national economic and social development plans (including the current one) have sought to harness social capital as a means of bolstering development. The Thai Social Enterprise Office (TSEO), created in 2010 to provide backing for social enterprises, has been revitalized since the 2019 election. In 2019, the government created the Social Enterprise Promotion Act, which offers tax relief for corporations establishing social enterprises and tax incentives for social investment. By 2021, Thailand possessed over 120,000 social enterprises, a number which has grown since the end of military rule in 2019. There is no evidence to date that the COVID-19 pandemic has diminished the solidarity, trust and capacities of Thai civil society.

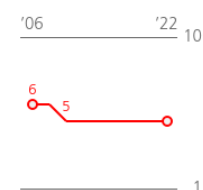
Approval of
democracy

n/a



Social capital

5



II. Economic Transformation

6 | Level of Socioeconomic Development

Since 2012, Thailand's socioeconomic development has shown marked improvement, as indicated by the UNDP's Human Development Index (HDI). In 2019, the country received an HDI value of 0.777 (improving each year since 2012) and an HDI ranking of 79 out of 189 countries. Meanwhile, the country's GDP per capita (purchasing power parity) was \$19,276.8 in 2019, increasing each year since 2009. However, income inequality has intensified. According to Credit Suisse, in 2018 the wealthiest 1% of Thais owned 66.9% of the country's wealth. The World Bank's Gini Index for Thailand was 39.3 in 2012 but has since fallen to 36.4 (2018). The persistently high level of inequality is sufficiently ingrained to marginalize particular sections of society from accessing adequate levels of education and health care. A large number of Thais continue to suffer from poverty, social exclusion or discrimination due to gender, ethnicity or geographic location. According to the World Bank, in 2018 0.5% of Thais were living on less than \$3.20 per day, while, according to the Asian Development Bank, in 2018 9.9% of Thais lived below the national poverty line. According to the World Bank, the poverty rate in the country increased from 7.2% in 2015 to 9.8% in 2019. Meanwhile, the absolute number of people living in poverty rose from 4.85 million to more than 6.7 million. The growth in poverty was widespread, occurring in all regions of Thailand and in 61 out of 77 provinces.

With the country's population continuing to grow (reaching nearly 70 million people in 2019), continuing socioeconomic challenges have been most acute among Malay-Muslims in the Deep South (where insurgency has hindered development attempts), northern ethnic tribal groups (many of whom lack citizenship), and in the country's populous northeast (where 66% of impoverished Thais live). The COVID-19 pandemic is increasing income inequality in Thailand. Informal workers, including economically marginalized Thais and migrants, have particularly suffered socioeconomic exclusion, because they lack effective access to income security and welfare benefits, or they are subject to discrimination.

Question
Score

Socioeconomic
barriers

6

'06 '22 10



1

Economic indicators		2017	2018	2019	2020
GDP	\$ M	456357.0	506611.1	544264.0	501795.0
GDP growth	%	4.2	4.2	2.3	-6.1
Inflation (CPI)	%	0.7	1.1	0.7	-0.8
Unemployment	%	0.8	0.8	0.7	1.0
Foreign direct investment	% of GDP	1.8	2.6	0.9	-
Export growth	%	5.2	3.4	-3.0	-19.4
Import growth	%	6.2	8.3	-5.2	-13.3
Current account balance	\$ M	43951.9	28422.5	38205.6	16298.3
Public debt	% of GDP	41.8	42.0	41.0	49.6
External debt	\$ M	161647.5	172494.3	179772.7	204146.6
Total debt service	\$ M	14791.0	18630.0	27094.1	16832.7
Net lending/borrowing	% of GDP	-0.7	-0.4	0.0	-
Tax revenue	% of GDP	14.8	14.9	14.6	-
Government consumption	% of GDP	16.3	16.2	16.2	17.7
Public education spending	% of GDP	3.4	3.1	3.0	-
Public health spending	% of GDP	2.9	2.9	-	-
R&D expenditure	% of GDP	1.0	-	-	-
Military expenditure	% of GDP	1.4	1.4	1.4	1.5

Sources (as of December 2021): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

Thailand is a pro-business country, with laws intended to attract foreign investment and a free-market system. From 2007 to 2019, the number of procedures needed to start a business in Thailand was reduced from 10 to five, which can be achieved in 6 days at a cost of 3% of GNI per capita (in 2007 the number of days needed was 35 and the cost 16.2% of GNI per capita). The country moved up six spots to 21 out of 190 countries in the World Bank’s “ease of doing business” rankings in 2020 and was 47 overall in terms of starting a business.

In June 2019, Thailand relaxed foreign business license requirements on services provided in three categories: provision of loans, lease of office space, and provision of consultation services. Yet, despite efforts to institutionalize market competition more comprehensively, the current system remains flawed. The Foreign Business Act (FBA) forbids majority foreign ownership in most sectors and, as of 2021, bars foreigners from utilizing nominee shareholders or preferential voting rights to control Thai companies in certain sectors.

In 2021, reports indicate that businesses remain vulnerable to corruption while anti-corruption legislation is inadequately enforced. The power of entrenched economic interests continues to hinder the balanced development of Thailand’s financial sector. The country continues to have a large underground economy and informal sector, from which many Thais derive their earnings.

According to the International Labour Organization, in 2019 informal workers comprised 55.8% of Thailand’s workforce, primarily employed in the sectors of production, services and agriculture. Thai taxpayers have been burdened with taxes that informal sector workers do not have to pay. According to the OECD, from 2007 to 2020, the tax-to-GDP ratio in Thailand increased by 0.4 percentage points from 17.1% to 17.5%. Thai tax revenues have been among the lowest of the Association of Southeast Asian Nations (ASEAN) countries. The informal sector is not comprehensively covered by the country’s current tax system, though it tends to produce over 50% of the country’s GDP. Women have traditionally made up a large proportion of Thailand’s informal sector. Thai employers increasingly rely on cheaper immigrant labor, as a means to better compete with lower-cost industries in China and Vietnam. Prices for transportation, education and medical fees, basic consumer goods and diesel fuel continue to increase.

Foreign firms suffer from some barriers to market entry in Thailand, such as laws against foreign majority ownership. Large, domestic firms (private or state), with legal and financial advantages, enjoy the fewest obstacles in terms of market competition. In fact, state-owned enterprises can compete with private firms. As a result, the role of state-owned enterprises has remained prominent, and they enjoy advantages in market competition. In 2021, the government slashed land, building



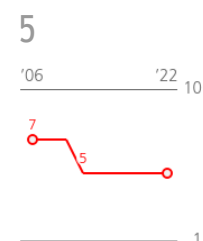
and income taxes to alleviate pandemic-induced economic burdens. Meanwhile, amidst the growing pandemic, competition among large firms increasingly squeezed out small- and medium-sized enterprises. Large companies have benefited, especially those connected to the monarchy and military regime. They favor trade liberalization and free-trade ventures, especially with China and Japan.

Thailand's original 1999 Trade Competition Act proved to be relatively ineffective due to the numerous exemptions accorded to state-owned companies, public agencies and influential individuals. Big business dominance, as well as inadequate enforcement, has long hindered the efforts of the Trade Competition Commission. Latest figures (in 2019) showed that since 2017, 216 cases of unfair trade competition had been filed and considered by the Commerce Ministry, but not a single case had made it to legal judgment. With the passage of the 2017 Trade Competition Act, the Trade Competition Commission (officially an independent state agency) implemented several guidelines clarifying criteria to consider fundamental offenses under the law, such as abuse of dominant position, hardcore cartels, non-hardcore cartels, and unfair trade practices. The new act also narrowed the number of exceptions to rules for state-owned enterprises, created new rules to prevent monopolies, and enhanced legal certainty for anti-trust legislation.

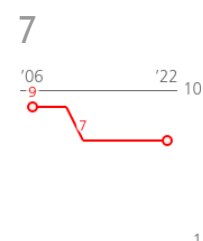
In 2020, the Trade Competition Commission ordered Nissan Motor Thailand to rescind its contract termination with seven dealers, calling the Japanese car firm's unilateral refusal to renew the dealership contracts an unfair trade practice. However, in 2020 the commission also approved CP Retail Development's acquisition of 87% of Tesco Lotus in Thailand, increasing the CP conglomerate's trade share in Thailand from 52% to 69%. CP already owns all 7-11 convenience stores in Thailand, Macro Cash stores, and Carry, as well as dominating Thailand's poultry and shrimp industries. Another potential monopoly almost occurred in 2020: Bangkok Dusit Medical Services (BDMS)'s move to acquire Bumrungrad International Hospital (BH). However, the takeover attempt stalled due to the pandemic. In 2020, the government amended the 2017 Trade Competition Act in an attempt to close big merger and acquisition loopholes.

In 2021, Thailand had 17 FTAs with various countries. Thailand is a member of China's Regional Comprehensive Economic Partnership (RCEP) and has had a bilateral FTA with China since 2003. Negotiations for a Thailand-U.S. FTA have so far foundered over U.S. demands for more international property rights protections. Since Thailand's move from junta rule to pseudo-democracy, talks between Bangkok and the European Union have intensified toward an FTA, though one has still not been attained. In 2021, Thailand is poised to enter the Comprehensive and Progressive Agreement of the Trans-Pacific Partnership. Thailand also continued to reduce trade transaction costs, especially with ASEAN countries, and is promoting trade liberalization in the Greater Mekong Subregion. For example, in 2020 the country enacted the Multilateral Arrangement for the Mutual Recognition of Agri-food Standards and Conformity Assessment, which aims to reduce non-tariff barriers in trading of agri-food products among ASEAN members.

Competition policy



Liberalization of foreign trade



Nevertheless, continuing trade barriers remain an obstacle to those seeking to increasingly liberalize foreign trade. The country maintains high tariff barriers on agricultural products, motor vehicles and distilled spirits. High non-tariff trade barriers include licensing requirements, burdensome import requirements, price controls and high excise taxes (based upon an overly complex tax structure). Moreover, Thailand remains an observer, but not a signatory, of the WTO (World Trade Organization) Agreement on Government Procurement.

In 2020, the United States maintained Thailand on its Priority Watch List because of persistent copyright infringement of entertainment products, software piracy, and the manufacture of fake designer goods. The United States also maintained Thailand on a Watch List for currency manipulation. In late 2020, Thai and U.S. delegations met to expand trade and investment through the U.S.-Thai TIFA (Trade and Investment Framework Agreement). However, the United States revealed its concerns about Thailand's use of commission payments for customs officials and Thai standards for food safety. In 2020, the United States suspended preferential trade benefits for 231 Thai products under the Generalized System of Preferences (GSP) due to insufficient progress in providing the United States with equitable and reasonable market access for pork products with ractopamine residues. The November 2020 election of U.S. President Joe Biden will likely improve the outlook for liberalized trade between the United States and Thailand.

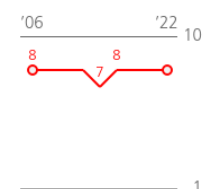
Thailand has a banking system and a capital market that are oriented toward international standards. Following financial reforms, the country's banking sector is relatively more stable than those found in many developing and advanced countries.

The proportion of non-performing bank loans grew from 2.3% in 2014 to 3.1% in 2017, though it has remained at 3.1% through 2020. Despite the economic slowdown, resulting from political chaos, increasing political risks, diminished private sector confidence and the COVID-19 pandemic, there was no crisis of the banking sector in 2019 and 2020.

The bank capital-to-assets ratio grew from 10.8% in 2018 to 11.3% in 2019, increasing every year since 2009. Meanwhile, loan growth began to slow in the third quarter of 2020. Banking reforms since 2006 have sought to increase overall market capitalization, providing greater fundraising efficiency and promoting savings, especially in the equity, bond and derivatives markets. The country incrementally implemented Basel II banking regulation standards in late 2010 and, since 2013, the Bank of Thailand has implemented the BASEL III framework. In 2016, the Bank of Thailand launched Financial Sector Master Plan III (FSMP III) to promote competition among banks and other financial institutions, prevent price distortions, promote regional trade and investment, guarantee macroeconomic and financial stability, and expand licenses in Thailand for foreign banks.

Banking system

8



The state has also sought to enhance banking transparency. In 2019, 11 out of 15 Thai commercial banks were listed on the Stock Exchange of Thailand (SET), thus ensuring banking transparency at least for these listed institutions. Within the SET, market capitalization grew from THB 16 trillion in 2018 to THB 16.9 trillion in 2020. Average daily turnover in the SET in 2020 was THB 76 billion, perhaps the highest in the history of Thailand's stock exchange. The COVID-19 pandemic triggered a decline in the prices of stocks on both the SET and Thailand's Market for Alternative Investment. Thailand's equity market was the second-worst performing in Asia in 2020, tumbling from 1,342.8 in May 2020 to 1,194.5 in October 2020.

In response to the COVID-19 pandemic, the Bank of Thailand (BOT) eased loan-to-value (LTV) regulations governing mortgage lending, shortening the minimum debt-servicing period for first mortgages. The Bank of Thailand also reduced its policy rate. It intends to halve the annual rate of contribution from financial institutions to the Financial Institutions Development Fund (FIDF) from 0.46% of the deposit base to 0.23% per annum for a period of two years. This measure is intended to allow financial institutions to immediately pass on such cost savings to businesses and households by further reducing the interest rates. In April 2020, the central bank injected THB 400 billion into Thailand's corporate bond market by establishing a bridge-financing fund called the Corporate Bond Liquidity Stabilization Fund. Meanwhile, the central bank will allocate THB 500 billion for soft loans to small and medium-sized enterprises (SMEs). SMEs will be able to borrow a maximum of THB 500 million at an annual interest of 2% and interest-free for the first six months.

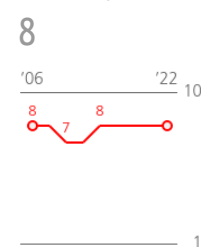
8 | Monetary and fiscal stability

The Stock Exchange of Thailand (SET) Index has experienced persistent yet turbulent growth, owing to years of political turmoil besetting a generally stable economy. The Index dipped from 181.9 in January 2018 to 162.9 to 104.4 in March 2020, before ascending to 148.2 in December 2020.

Inflation (CPI) stood at 0.7% in 2017, but rose to 1.1 in 2018, before again dropping to 0.7 in 2019. The Bank of Thailand and the Ministry of Finance have sought to maintain a target of 2.5% \pm 1.5 percentage points as an annual average headline inflation rate.

Meanwhile, the Bank of Thailand, which in 2007 abandoned the managed float system, has since followed a flexible foreign exchange policy that has permitted the baht to move in line with the market – a policy that Thailand's succeeding governments have generally continued until today. Formally, the Bank of Thailand is an independent agency, but, since the 1997 financial crisis, its independence has continued to be questioned given past instances of executive intervention. The central bank insists that it is independent from political intervention, but de facto it cannot contradict the preferences of the Crown Property Bureau.

Monetary stability



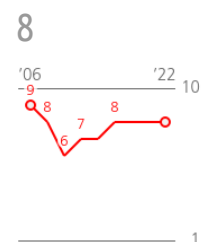
The Bank of Thailand regularly intervenes in the market to prevent excessive currency volatility. The central bank prohibits baht-denominated lending to non-residents who are not involved in trade or investment in Thailand. Since becoming governor of the Bank of Thailand in 2020, Sethaput Suthiwartnarueput has maintained tight monetary policies, especially in terms of continuing high interest rates to stabilize the baht. He has kept bank rates steady and interest rates high. According to Sethaput, the COVID-19 pandemic will create severe shocks for the Thai economy and a recovery may take as long as three years. Meanwhile the Bank of Thailand would ensure that monetary policy and liquidity would help recovery. In response to the pandemic, the central bank cut the key rate three times in 2020 to an all-time low of 0.50% to support the economy. Thailand's Real Effective Exchange Rate in October 2020 was 109.16, compared to 115.31 in December 2019, indicating a potentially small reduction in competitiveness.

In December 2020, the Bank of Thailand relaxed rules on its THB 500 million soft loan program aimed at assisting smaller firms deal with the impact of the COVID-19 pandemic.

From 2018 until 2019, Thailand's current account balance increased from \$28,456.6 million to \$38,273.0 million, after falling from 43,951.9 million in 2017. Meanwhile, total reserves edged up year-on-year, from \$151,266.0 million in 2015 to \$216,816.7 in 2019. With a self-imposed debt ceiling of 60%, public debt went from a high of 42% of GDP in 2018, down to 41% of GDP in 2019. The public debt-to-GDP ratio stood at 49.35% in late 2020. External debt has continuously increased, from \$13,2209.3 million in 2015 to \$18,0229.6 million in 2019. Total debt service to the IMF increased sharply from \$18,630.3 million in 2018 to \$26,841.6 million in 2019. Furthermore, net lending/borrowing fluctuated from 0.3 in 2016 to -0.7 in 2017, to -0.5 in 2018. Government consumption fell from 17.1% of GDP in 2015 to 16.1% in 2019.

Following the 2019 election, most foreign investors and trading partners who had reduced their dealings with Thailand following the 2014 coup, returned to Thailand. Primarily Japanese and Chinese investment had remained in Thailand during the junta years. In 2020, China became the leading foreign investor in Thailand. Despite the COVID-19 pandemic, foreign capital has increasingly bought up long-term bonds. In 2020, the Thai baht was the second-best performer in Asia, rallying 8.8% by December of that year. Foreign interests began to invest more in Thai assets, as they recognized Thailand's potential strength amidst a weak dollar and U.S. sanctions on China during the COVID-19 pandemic. Throughout 2020, economists considered the baht to be overvalued relative to export competitiveness. In late December 2020, the baht stood at THB 30.1:\$1. The country's trade balance went from \$22.4 billion in 2018 to \$26.7 billion in 2019. The Economist predicts increasing imports to reduce the trade deficit to \$23.5 billion in 2020.

Fiscal stability

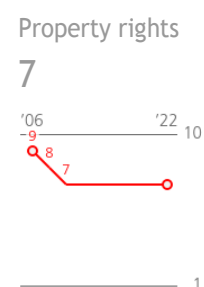


The COVID-19 pandemic which began in 2020 (and its halting of most global tourism) decimated Thailand's economy, of which tourism comprises a fifth. In response to the COVID-19 pandemic in 2020 and Thailand's subsequent economic woes, the state implemented fiscal measure to help individuals and businesses, approving three stimulus packages in 2020 which included cash handouts, financial aid for farmers, money to the informal sector, the reduction of social security contribution payments, and tax cuts.

Meanwhile, the country has run larger budget deficits while offering tax relief with the goal of supporting the economy amidst the pandemic. Indeed, beginning in 2020, Thailand planned to run a fiscal deficit each year until 2025, to combat projected low tax revenue from low economic growth, while targeting inflation of 1% to 3% in 2021 and beyond. In late December 2020, the state approved an THB 11.3 billion budget to deal with the re-emergence of COVID-19. The amount will be spent on 10 projects, grouped into preventive measures (THB 4.3 billion), treatment (THB 7 billion) and support (THB 27 million).

9 | Private Property

Property rights, as well as property acquisition, continue to be loosely and informally enforced in Thailand, often dependent upon personal contacts. Foreigners have long been allowed to own up to 49% of Thai real estate. However, during Thailand's 2014 – 2019 junta, foreigners for the first time were permitted to lease land for 99 years. The state occasionally used arbitrary power to confiscate property from Thai citizens. Thailand's 2019 move toward democracy strengthened property rights in part because junta rule had weakened judicial protections. Nevertheless, Thailand's legal process has been slow and hampered by political intervention, with widespread counterfeiting and piracy continuing to undermine intellectual property rights. Corruption is widespread at all levels of society and bribery is viewed as a normal part of doing business. Moreover, there has been a decline in the rule of law as measured by property rights. Though Thailand maintains an Intellectual Property and International Trade Court, intellectual property piracy persists. In 2018 new laws were enacted requiring residential property landlords to adhere to a new set of terms and conditions that seek to eradicate rogue practices so that tenants are no longer victims of unfair contracts. A 2019 law requires individuals, corporate entities, or any beneficiaries of land or buildings, to pay land and building tax.

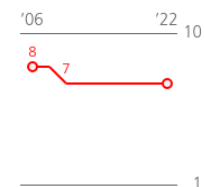


Thailand has laws protecting and regulating private companies, specifically the Thai Civil and Commercial Code, the Licensing Facilitation Act, and the Labor Protection Act. Legal disputes involving private companies are decided by courts. Although Thailand has a large public sector, private firms remain crucial to the country's economy. According to the World Bank's ease of doing business rankings, in 2020 Thailand was 21 out of 190 countries, up from 27 in 2019. The country improved its performance in eight out of 10 indicators to reach this level. Indeed, starting a business took six days (the second shortest in Southeast Asia) and five procedures, at a business registration cost of 3% of GNI per capita. However, there are still problems: the time it takes Thailand to enforce contracts is 420 days, compared with Singapore where it takes 164 days.

Efforts at privatization have sometimes been thwarted by resistance from civil society as well as entrenched vested interests. The state has passed legislation forbidding the privatization of state enterprises considered to be at the "commanding heights" of society, such as the Electricity Generating Authority of Thailand (EGAT) and the Water Works Authority (MWWA). Thus, privatization efforts such as those targeting the Port Authority of Thailand, the State Railway of Thailand and the Mass Communication Organization of Thailand (MCOT) have all been nullified. After the 2014 coup, the ruling junta took control of the country's 56 state corporations. Despite the transition from junta rule a number of military officers continue to sit on the boards of these state enterprises, giving rise to the perception that such officials will use their influence with these enterprises to bolster their personal economic interests. Prime Minister Prayuth Chan-o-cha supports the privatization of universities, with the result that tuition fees have continued to rise. Institutions unable to adapt to the transition have been closed. Prayuth has sought to woo private investors to support Thai government efforts to develop the North-South and East-West Economic Corridors, rail links to Laos and Cambodia, and the Eastern Economic Corridor, all of which are aimed at benefiting private enterprise trade with China and Japan. The post-2019 government has continued the junta policy of cutting the environmental impact assessment (EIA) process by half to expedite mega construction projects, and to entice more investment from private companies supportive of Thailand's Special Economic Zones.

Private enterprise

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10 | Welfare Regime

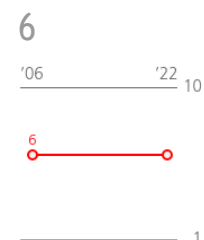
A social security act was enacted in Thailand in 1990, while a labor protection act was enacted in 1998. In 2002, Prime Minister Thaksin Shinawatra introduced a health care program under which all Thais had to pay only THB 30 (\$1) at the hospital for most procedures. This is still in effect in 2021. Today it covers 76% of the population, but accounts for 40% of all public health care spending. The rest of the population, including private sector employees, subscribe to self-financed social security schemes and the tax-funded Civil Servant Medical Benefit Scheme, which covers state officials and their family members. According to the Thai Health Promotion Foundation, current public health expenditure since 2014 has accounted for at least 13% of the state budget and, according to the World Bank, it stood at 2.9% of GDP in 2017. The post-2019 health care policies of the Palang Pracharat Party (of Prime Minister Prayuth Chan-ocha) include a welfare card initiative providing income support for the purchase of consumer products from Thong-fah Pracharat shops. Cardholders also receive money for public transportation fees and cooking gas. Additional income support is offered to holders who qualify as disabled and elderly.

Non-citizens have limited access to Thailand's social safety net unless employers enroll them. These employers must pay health insurance fees.

The COVID-19 pandemic caused many Thais to lose their jobs. The government responded by first imposing a state of emergency in March 2020. The government mandated quarantines, occasional travel bans across national borders, occasional closures of domestic transportation, occasional closures of schools/universities, cancellation of public events, bans on demonstrations, and occasional lockdowns of entertainment venues and shopping malls.

The government also introduced three stimulus packages in 2020 aimed at providing financial aid to individuals and businesses, as well as offering tax cuts. As part of these packages, the state sought to provide THB 5000 monthly subsidies to assist the millions of people affected. However, it has sometimes been difficult for Thais to receive the money. The government also sought to develop free tests and vaccinations. The state has distributed over one million free surgical masks per day to hospitals and is paying to supply medicines for COVID-19 treatment. There have been reports of scandals involving overpriced masks being sold to the general populace. The state also provided a 20% discount on water bills, a debt moratorium for farmers, a waiver for electricity fees, and a THB 23.48 billion package to create jobs for 260,000 graduates from universities and vocational schools. Furthermore, the state has offered a tax exemption on risk compensation for medical workers involved in the treatment and prevention of COVID-19.

Social safety nets



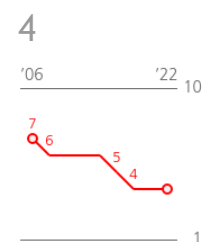
In 2021, Thailand remains a country with persistent denial of equal opportunity based upon gender, sexual orientation, religion, ethnicity, race and political preference. In particular, women and minorities enjoy less institutional assistance in accessing public services or serving in public office than men. Women make up 45.6% of the labor force but in general are relegated to lower paying jobs or employment in the informal sector. Regarding the Gender Inequality Index (GII), Thailand moved from 0.424 (2018) to 0.359 (2019), meaning it remains in the highest group of countries in terms of achievements between women and men. Nevertheless, it continues to rank low in the GII, at 80 out of 189 countries.

According to the World Bank, in 2018 Thailand's literacy rate was 93.8%, with a male literacy rate of 95.2.% and a female literacy rate of 92.4%. Regarding the ratio of female to male enrollment (GPI), in 2020 the ratio of girls to boys stood at 1.1 (primary), 1.1 (secondary) and 1.3 (tertiary), indicating that there are increasingly more girls than boys at higher levels of education. However, in 2020, the gross enrollment ratio shows less enrollment by either gender in higher levels: 101.1 (primary); 115.2 (secondary); 49.3 (tertiary).

Ethnic minorities (e.g., "hill tribe" people), migrant workers and refugees from neighboring countries are often not allowed to vote (though they have citizenship), go to school or access public health care. Thai labor laws governing regular and irregular migrant workers still do not conform to International Labor Organization standards. The 2019 Gem Report states that migrant children and young people in Thailand are often detained and are not offered equal opportunities in Thai education. Moreover, according to the U.S. State Department, in 2019 and 2020, between 14% and 18% of migrant fishermen were being exploited in forced labor in the Thai fishing industry.

Finally, a major hindrance to equal opportunity in Thai society is pervasive and structural wealth inequality. In 2018, Credit Suisse Research Institute's Global Wealth Report proclaimed that Thailand was the most economically unequal country in the world. Access to Thailand's best schools, hospitals and job opportunities are concentrated in Bangkok and a few other cities, and only the select, wealthy few can access them. There has been no serious effort on the part of the government to correct this inequality.

Equal opportunity



11 | Economic Performance

Thailand's GDP growth decreased from 4.2% in 2018 to 2.4% in 2019. The GDP per capita growth rate of 3.8% in 2018 fell to 2.1% in 2019. Inflation dropped from 1.1% in 2018 to 0.7% in 2019, continuing to fall through 2020. FDI fell from 1.8% in 2016 to 1.1% in 2018. Public debt declined from 42% of the GDP in 2018 to 41% of the GDP in 2019. Meanwhile, the sum of net lending/borrowing contracted from 0.0% in 2015 to -0.5% in 2018. Tax revenue declined to 14.9% in 2018. In terms of gross capital formation, in 2017 Thailand held 22.9% of GDP, compared to 23.9% in 2019. Finally, unemployment data held steady at 0.8% from 2017 through to 2020, but it is expected to increase as a result of the pandemic. Thailand's continuing low unemployment has assisted the economy, although figures do not cover the extensive informal sector.

The COVID-19 pandemic caused the Thai economy to contract sharply, as it drove a global deterioration in global and domestic demand. Nonetheless, unemployment only reached 1.9% in 2020. The government is using fiscal policies and increasing public debt to combat the pandemic. It is increasing a range of financial stimuli, handouts, and reducing taxes to decrease the impact of the pandemic on livelihoods. In 2020, the pandemic's effects on the economy (particularly tourism) reduced private consumption (revised down to 1.3%), while public consumption expenditures were up (revised up to 3.8%).

12 | Sustainability

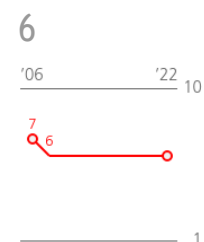
The 1992 National Environmental Quality Promotion and Protection Act mandates environmental impact assessments (EIA) for 35 types of projects, in order to minimize their adverse environmental impacts. A 2018 amendment to this Act, aligning it with the 2017 constitution, imposes penalties for the development of projects without EIA approval. Yet the amendment appears ineffectual and has been criticized "for being an investment promotion law in disguise."

Since the 2019 election, environmentalists' activities have increased. Threats against environmentalists have continued. In 2019, a prominent environmentalist was temporarily kidnapped by politician-gangsters for opposing a rock quarry project that threatened the latter's interests – and the environment. The government has been slow to investigate. Construction of a waste-to-energy plant was put on hold but not canceled following protests from locals concerned about pollution. In 2020, in response to devastating drought, the Prayuth government created a Water Crisis Center. In 2021, the Prayuth government continues to push a China-supported special economic zone in the Chana district of Songkhla province, despite multiple protests that the project will decimate the environment.

Output strength



Environmental policy



On a positive note, in late 2020 the Ministry of Natural Resources and Environment announced its finalization of a draft of the country's first-ever Climate Change Bill, which is currently with the cabinet for approval. According to analysts, the bill, when passed, will represent a significant step toward improving the country's efforts in tackling global environmental problems such as global warming.

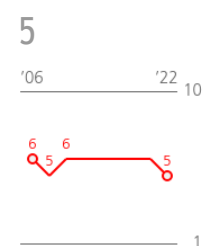
The Thai public education system exists across the entire country and is mostly free. School attendance is close to universal. Thailand's score in the U.N. Education Index has continued to improve each year since 2013. It was 0.682 in 2019. According to UNESCO and World Bank, Thailand's literacy rate in 2018 (for ages 15 to 24) was 98.14, and 93.8% for people aged 15+. Meanwhile, gross enrollment in 2019 has increased to approximately 101% at the primary level and 115% at the secondary level (schooling is compulsory in Thailand up to ninth grade). In 2016, there was 45.9% (latest figures) gross enrollment at the tertiary level. As for relative school enrollment, in 2017 the ratio of male to female students is 0.9 at primary level, 1.0 at secondary level and 1.4 at tertiary level.

Thai spending on education has tended to be higher than many similar countries. The Thai education budget has doubled since 2002. In 2019, to improve efficiency, the Ministry of Education was restructured, with tertiary education moved under a new Ministry of Higher Education, Science, Research and Innovation. However, amidst a deteriorating economy in 2020, the budget for these ministries was trimmed. For the 2020 budget, the Ministry of Education received \$12.2 billion, while the Ministry of Higher Education, Science, Research and Innovation was allocated \$4.6 billion. The quality of public education differs widely across the country, with the highest quality schools concentrated in Bangkok and a few other principal cities. The greatest obstacles to education are in the far south where education has been stymied by persistent violence, with teachers targeted and shot by insurgents in the region.

Thai students, when tested through the 2018 Program for International Student Assessment (PISA) and the Ordinary National Educational Test (O-Net), have generally received lower scores than average. In 2018, the state enacted the Equitable Education Fund Act. It was established with a THB 1 billion startup fund and a core mission to reduce educational inequality in Thailand. Yet, this act may face difficulties achieving its objectives given potential conflicts inside the Ministry of Education.

The latest figures on research and development (World Bank, 2017) indicate that Thailand allocated 1.0% of GDP to R&D. R&D spending has continuously risen since 2008. The establishment of national research universities, which include eight major universities in Thailand (mostly in Bangkok) to concentrate on national-level R&D has, on the one hand, helped to focus state investment effort on R&D, but on the other, privileges universities based in Thailand's major cities and excludes other provincial universities from access to R&D funding. In 2018, the then-junta emphasized R&D as an important objective to achieve the country's human resource

Education policy /
R&D



development goals, in order to meet labor demands related to the Thailand “4.0 policy” and the development of 10 targeted industries within Thailand’s 20-year National Strategy. In 2021, among the ASEAN members, Thai investment in R&D lags behind only Singapore and Malaysia.

Governance

I. Level of Difficulty

In Thailand, three deeply entrenched structural constraints have affected governance. First, there is the geographically imbalanced character of socioeconomic development, with its concentration of wealth in the capital region as opposed to provincial Thailand, especially the northeastern region and far south. According to the World Bank (2020), the Bangkok Metropolitan Region accounted for 46.3% of GDP and was the recipient of up to 70% of total government expenditure. Analyzing recent poverty and inequality trends in Thailand, the World Bank in 2020 stated rural areas tend to be considerably more impoverished than urban areas. In 2018, the poverty rate in Thailand increased from 7.2% to 9.8%, and the absolute number of people living in poverty rose from 4.85 million to more than 6.7 million.

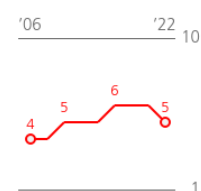
Second, there is an enormous cleavage between the “wealthy and well-born” and the middle class, on the one hand (mostly Thai/Sino-Thai), and the lower classes (tending toward Thai-Lao and other ethnicities) on the other. This cleavage has been intensified by the economic fallout of the COVID-19 pandemic (see below).

Third, there are class-based structural constraints: the country’s entrenched domination by monarchy, associated aristocracy and senior military officers has created significant obstacles to a deeper and more sustainable democratic transformation. Such antagonism was exemplified and enhanced by the recent 2006 and 2014 military coups, as well as the subsequent 2014 – 2019 military rule and 2020 threats made by the prime minister of a return to autocratic rule in response to growing anti-government demonstrations.

Finally, as in other countries, the COVID-19 pandemic produced a disruptive shock in Thailand. While the infection rate was low relative to other countries, it temporarily surged in January 2021 before slowing again. The pandemic produced an excess death rate of 0.3%. It also contributed to an economic contraction of at least 6.5%, reduced private consumption by 1.3%, and led to a substantial increase in unemployment. The pandemic thus severely limited economic transformation. In addition, the Prayuth government used the COVID-19 pandemic as justification for introducing the autocratic Emergency Decree.

Structural
constraints

5



Modern Thai political history has witnessed a contentious relationship between civil society and the state, especially regarding the environment, land titling and issues of democracy. Modern Thai civil society evolved from the brief periods of political space between 1944 and 1947 and between 1973 and 1976. From 1980 to the present, the state for the most part has allowed NGOs to evolve uninterrupted. However, problems of interference by the military, co-option by the state, internal malfeasance and poor administration have continued to beset the development of Thai civil society.

In 2021, over 18,000 NGOs were registered in Thailand, with several receiving financial donations from international agencies. Some Thai NGOs support or oppose the Shinawatra family. Others try to be apolitical. From 2006 until 2014, the pro-Thaksin United Front for Democracy Against Dictatorship (UDD) Red Shirts increased in numbers. The UDD is a broad, diverse social movement supported by businessman-politician Thaksin Shinawatra and includes elements of the lower and middle classes. It has sought economic and political reforms and actively backed pro-Thaksin governments between 2001 and 2006, in 2008, and between 2011 and 2014. Meanwhile, between 2006 and 2012, another group, the People's Alliance for Democracy (PAD) or "Yellow Shirts," reflected a reactionary pro-monarchist position. Between 2013 and 2014, the PAD morphed into the People's Democratic Reform Committee (PDRC), which acrimoniously opposed the Yingluck government.

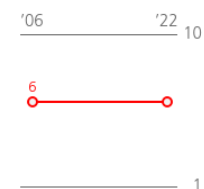
Thailand's May 2014 military coup was mostly met with acquiescence from urban Thai civil society groups (such as the PDRC). Some NGOs actually supported the coup, while others opposed it. During the 2019 election, the pro-military Palang Pracharat succeeded in winning the support of some ex-UDD leaders. Since the election, conservative and progressive political parties have again become active, though they are, in general, weakly institutionalized. There has been a marked growth in civic life due to an increasing uptake of social media, which in turn has contributed to a rise in community and civic groups online.

Thailand is suffering from three acrimonious, entrenched conflicts. At the national level, there is one socioeconomic and political conflict, which pits opponents of populists Thaksin Shinawatra, Yingluck and their family against supporters. Rural dwellers and the lower-middle class strongly backed the ex-prime minister, while the upper-middle classes and elites vehemently opposed him. This clash stalled during the 2014 – 2019 junta but was reignited following the 2019 election.

The second national level conflict is between youth-led demonstrators opposing the military-dominated government, who are demanding reforms to the government, military and monarchy. Partly because of these protesters' criticisms of the monarchy, social trust in the monarchy and traditions of a civil society centered upon monarchy appear to have been weakened.

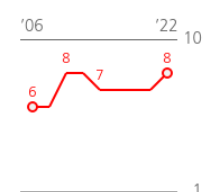
Civil society traditions

6



Conflict intensity

8



A third conflict has been the Malay-Muslim insurgency in Thailand's southernmost provinces of Yala, Narathiwat and Pattani, which has contributed to an increasingly hard-line stance by Malay-Muslim insurgents against southern Buddhists (and vice versa), resulting in heightened levels of violence between Buddhists and Muslims in that region. 2021 saw talks between the NCPO and a cluster of insurgent groups continue, while the number of violent incidents in the Deep South appeared to be on the decline.

II. Governance Performance

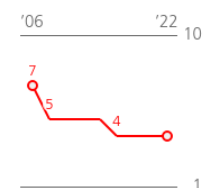
14 | Steering Capability

Since 2019, the Palang Pracharat government has prioritized several objectives. First, it has embarked on a “people’s state” program (begun under the junta) which includes various watered-down populist policies such as cheap housing, certain types of debt relief for the poor, a minimum wage, welfare cards and subsidies for new mothers. Second, the government has supported a hierarchy of five dominant corporations, as evidenced in the state’s awarding of concessions and contracts. Third, the new government claims to be supporting nationalistic and patriotic programs that emphasize guarding monarchy, “Thainess,” and related traditional values. Fourth, the government has continued the junta’s policy of trying to jumpstart the economy using mega-projects and foreign investment, primarily from China, but also Japan. Despite this, Thailand’s economic health continued to worsen in 2021. Fifth, the government sold itself as successfully managing the pandemic, implementing an Emergency Decree and quarantine of people entering Thailand, while promoting hospital care to people potentially most affected. Sixth, the government attempted to promote itself as a supporter of more democracy, promoting the provincial elections which occurred throughout Thailand in December 2020. Seventh, the government declared itself progressive and that it favors amending the 2017 constitution – though this government’s proposed amendments are superficial at best. Eighth, the regime is overseeing a 20-year National Strategy (2018 – 2037). Though the strategy is vaguely worded, it establishes several mandates that elected governments over the next two decades must adhere to (or potentially be forced from office), including large budgetary allocations to the armed forces. Ninth, the government is continuing the junta’s policy objective in the Deep South of engaging in counterinsurgency by using a mixture of superficial dialogue with insurgent leaders and extreme repression. In 2021, that policy appears to be reducing the number of violent attacks by insurgent groups.

Question
Score

Prioritization

4



Though the Thai state has attempted to enhance strategic capacity by prioritizing and organizing its policy measures (e.g., gaining and organizing expertise, evidence-based policymaking, regulatory impact assessments, strategic planning units), in terms of anti-corruption and controlling pollution, these goals have been hindered by powerful economic interests. Finally, addressing the COVID-19 pandemic is at the top of the list of priorities for the Thai government, superseding other long-term plans.

The 2019 election facilitated policy implementation in the sense that the new elected government became somewhat more accountable and transparent, because it needed to establish greater policy clarity to present to an elected lower house which contained many opposition members of parliament. Nevertheless, because of the several political parties within the ruling coalition, as well as the numerous intraparty factions within the dominant Palang Pracharat party, a plethora of policies were discussed, promoted or opposed by different member parties of the ruling coalition, making policy implementation sometimes difficult.

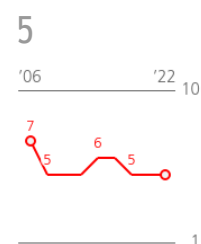
An emphasis on strong defense spending, a carry-over from the junta, was one policy effectively implemented because of the enormous influence of the military over the government. Following the previous junta strategy, the government also sought to improve policy implementation in the insurgency-prone Deep South, by merging the region's allocation of resources across ministries. Other policies which were effectively implemented included prioritizing alliances with large-scale domestic and foreign investors and the establishment of more free-trade zones along the country's borders. Continuing the initiative of the junta, the government announced mega-project plans set for completion until the year 2030.

The COVID-19 pandemic led the government to prioritize the implementation of a policy aimed at combating it. This included the implementation of an Emergency Decree which rationalized the country's slowing down of moves toward greater democracy. But the pandemic's negative effects on the economy forced the government to revert from a market economy toward increased fiscal manipulations, as well as delivering more economic handouts to Thais.

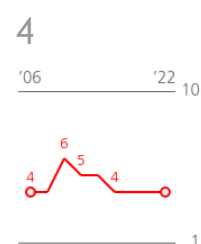
Thailand's post-2019 government has learned from the past, in the sense, that the government policy-orientation revolves around a diluted form of Thaksin-oriented populist policies ("Pracha Rat") in an attempt to shore up popular support. The current government has also promised to promote transparency, tackle corruption and stabilize Thailand.

Nevertheless, its rigid policies and routines of policymaking have impeded innovative approaches. In late 2020, with regard to confronting pro-democracy demonstrators, the government appears to have learned from the past. The use of violence against protesters in 1973, 1976, 1992, 2008, 2009 and 2010 – policies which tainted the state's image – have in 2020 been replaced by targeted arrests of

Implementation



Policy learning



protest leaders and the setting up of barricades to keep protesters back. Regarding the Deep South insurrection, Thailand's government has continued the policy of the previous junta and (before that) the Yingluck government of negotiating with the rebel resistance (while engaging in violent repression).

In response to the COVID-19 pandemic, the government quickly declared 14 urgent measures to manage the crisis, and then announced an Emergency Decree, quickly adapting from the response in China. Partly as a result of this early response, Thailand's cases of COVID-19 were lower than in other countries.

15 | Resource Efficiency

In 2021, with Thailand under an elected government but still disproportionately influenced by an opaque military, power remained centralized behind the same three personalities of the 2014–2019 junta, namely Prime Minister Prayuth, Deputy Prime Minister Prawit and Interior Minister Anupong. Their appointees have been highly partisan, arch-royalist, anti-Thaksin and supportive of the pivotal role the military plays in politics. Prayuth's ruling Palang Pracharat party has relied on political appointments for ministers and public officials to appease intraparty factions and smaller coalition parties. Nevertheless, by 2020, the Bank of Thailand had amassed a large amount of foreign reserves totaling \$216.8 billion in non-gold holdings, equal to approximately 40% of GDP.

In 2021, Thai public debt continued to be officially low, between 41% and 42% of GDP, a similar percentage to under the junta. However, since 2019, though a state audit office is technically able to monitor state spending, it remains weakly institutionalized. Despite returning to electoral governance in 2019, Thailand's administrative structure remains highly centralized. There have been problems in the quality and expense of financial, organizational and human resources. Despite the COVID-19 pandemic, the government has continued to make increases in the annual defense budget and has sought to make purchases of expensive military hardware such as three Chinese submarines.

In response to the COVID-19 pandemic, the government pooled its resources to launch a fiscal stimulus package, financial handouts to Thais, and a health care restructuring program. Because of an efficient use of resources, Thailand ranks 151 in the world in the total number of cases of COVID-19.

Efficient use of assets



In early 2021, the highly factionalized nature of the ruling Palang Pracharat (PP) party and the multiple parties supporting it frequently contributed to a lack of coherence in government policy. PP politicians controlling the Transport Ministry successfully pushed for an expansion of the elevated train and subway. However, other PP politicians competed for government resources. Meanwhile, the Defense Ministry's push for the purchase of Chinese submarines was delayed by parliamentary opposition.

To unite the Palang Pracharat party, powerful Deputy Prime Minister Prawit became its party leader in 2020. His political loyalists have increasingly dominated the party. Meanwhile, in 2020, the plummeting economy forced two Finance Ministers from office in quick succession. Regarding Thailand's Deep South counterinsurgency, the government appears to have succeeded in bringing various ministries together in support of a coherent government policy to stabilize or improve the situation of Malay-Muslims.

The fact that the government is led by former junta leaders belonging to one army faction, while the current army leadership is led by another army faction (supported more by the king), has led to increased military divisions, making it difficult to achieve a coherent security policy. A further friction has been that of the military versus police: during the late 2020 student demonstrations, police were tasked with keeping protesters under control. However, many members of the police have been sympathetic to the protesters, making it difficult for the state to coherently and adequately manage the protests. In an attempt to guarantee policy coordination between the current and future governments, the regime in 2018 enacted a 20-year national strategy (2018 – 2037).

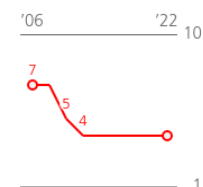
The COVID-19 pandemic necessitated a coherent policy response. The WHO praised Thailand for a response which combined strong public health interventions, community engagement, and effective governance.

The principal organization tasked with combating corruption by high-ranking government officials and politicians is the National Anti-Corruption Commission (NACC), officially an independent state agency. However, in terms of performance, the NACC has been criticized for being highly partial in favor of the Prayuth government (and 2014 – 2019 junta).

In 2018, the then-ruling junta instituted a new anti-corruption law designed to enhance mechanisms to prevent corruption and willful misconduct. It also expanded the definition of bribery and appeared to grant more powers to the NACC. Meanwhile, pro-military appointees to the NACC have presided over it since 2006 and continue to do so during the review period. Given that NACC cases tend to result in decisions siding with the Prayuth government, the fact that pro-military nominees continue to sit on the NACC clearly contravenes conflict of interest rules.

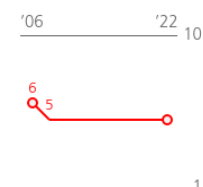
Policy coordination

4



Anti-corruption policy

5



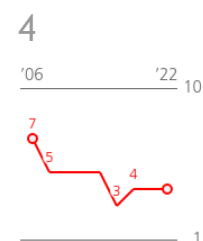
Since 2019, Thailand's constitutional court has appeared to dispense justice more impartially, by convicting a pro-military senator charged with accepting kickbacks, as well as removing from office elected politicians from various parties, including two members of the conservative Palang Pracharat party due to corruption. In 2020, a key Palang Pracharat member of parliament was finally indicted for land forest encroachment. However, despite allegations of corruption against them, Thailand's leading politicians such as Prime Minister Prayuth, Prawit Wongsuwan and Anupong Paochinda have never been charged with corruption.

Because of the dearth of any effective and transparent anti-corruption policy (which covers senior military or military-associated figures), Thai citizens lack access to information about potential activities implicating the corruption of junta leaders. As for public procurement, Thai law covers more than 90% of government purchases (except for the Eastern Economic Corridor), with criminal penalties placed upon bureaucrats who break the law. The independent State Audit Commission bolsters this law with regular audits of public procurement. In 2020, the NACC head claimed that a fall in corruption complaints for the year was a positive indicator for corruption in Thailand. In 2020, a government minister's aide was accused of corruptly hoarding and selling COVID-19 masks. Despite some integrity mechanisms, corruption remains endemic in Thailand.

16 | Consensus-Building

Relevant actors agree on the need for a democracy led by the monarchy. Nevertheless, in 2021 and 2022 there continued to be enormous polarization of views on the issue of political transformation. One of the most contentious issues spearheading this divide involves the concept of democracy itself, with some viewing it in terms of majoritarianism and others not. Conservative Thais support a superficial form of democracy overshadowed by a powerful monarchy and managed by the military. More progressive Thais want a more embedded democracy with strong political parties. This division resulted in two military coups (2006 and 2014) and judicial decisions that forced pro-Thaksin governments from power in 2008 and 2014. These divisions remain in 2021, reflected in an acrimonious divide in Thailand's lower house, as well as between civil society groups. A second related issue has been that of billionaire Thaksin Shinawatra. Elected in a 2001 landslide, Thaksin was adored by the rural masses for introducing pro-poor populist policies. He and his family continue to be popular today. However, conservatives fear that his political influence will destroy the Thai kingdom. A third issue pertains to the role of the military in Thai politics. Under the 2014 – 2019 military junta, more and more civilians grew wary of military rule. Civilian pressures finally forced an election in March 2019, the results of which were controversial and widely believed to be flawed. The coalition government led by Prayuth Chan-ocha remained highly fractured, with each political faction constantly expressing competing goals. Beginning in mid-2020, regular large-

Consensus on goals



scale demonstrations occurred, demanding Prime Minister Prayuth's resignation and constitutional amendments, specifically to make the Senate an elected body. A fourth and new issue in 2020 has been whether there needs to be monarchical reform or not. Finally, there is the issue of the seemingly endless insurgency in Thailand's Deep South. These conflicts are preventing Thailand from achieving consensus on the goals of political development.

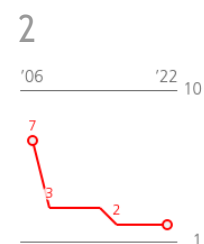
All relevant actors agree on the primacy of a market economy and, since the rise of Thaksin Shinawatra in 2001, there has been a general recognition of the need for social welfare policies. Indeed, the post-2019 pro-military Palang Pracharat government (as led by Prayuth) has taken a page from Thaksin by championing some welfare programs initiated by Thaksin. The only conflict here appears to be whether there should be more emphasis on strengthening the market economy or even more on social welfare policies (as the pro-Thaksin Pheu Thai party proposes). This divide continues to exist in 2021.

Between 2019 and early 2021, continuing a long historical pattern, anti-democratic actors held the most power in Thailand. These actors included the monarchy, the king's Privy Council, the Royal Household, the military (and other security-related bureaucrats), private sector interests opposed to democratic reform, and Malay-Muslim insurgents in the Deep South. Even when they have been in office, elected civilians have had no genuine control over the monarchy or the military. The monarchy possesses complete formal and informal political power over all other political institutions. Besides cosigning acts of parliament, the monarch can also veto all laws, pardon offenders, dissolve parliament and enact emergency decrees.

The king's political involvement generally occurs behind the scenes. The king's Privy Council and Royal Household are also outside the control of democratic forces. The Privy Council Chair and Royal Household chamberlains hold significant influence within the armed forces. The military's power was most recently illustrated in its coups of 2006 and 2014.

Regarding anti-democratic private sector interests, the monarchy's Crown Property Bureau (CPB) is the majority shareholder in Siam Cement, Christiani and Nielsen, Siam Commercial Bank and other companies. It has never been audited. In Thailand's Deep South, Malay-Muslim insurgents are not democratic, using violence in their struggle against the Thai military, which itself engages in a brutal counterinsurgency. The 2017 constitution retains supreme power for the monarch, aided by the military. The pro-democracy street protests that began in 2020 reignited and remobilized anti-democratic groups both online and offline. Some of these groups have continued to hold rallies to counteract activities of their adversaries.

Anti-democratic actors



In 2021, Thailand continues to face an array of political cleavages. One is a deep political cleavage based on geography and class, and a second pertains to ethnicity and religion. The first is the cleavage between impoverished rural people in Thailand's populous north/northeast and urban middle-class people, centered mostly in the capital, Bangkok. The military, monarchy and metropolitan businesses adhere to this latter position. This cleavage has revolved around support for or against Thaksin Shinawatra, who implemented several pro-poor policies when he was prime minister.

Reflecting this cleavage was the pre-2014 divide between demonstrators: the mostly rural "Red Shirt" United Front for Democracy against Dictatorship (UDD) against the mostly urban "Yellow Shirt" People's Alliance for Democracy (which later morphed into the People's Democratic Reform Committee, PDRC). All governments since that of Thaksin have tried to gain support from the lower classes by implementing more welfare policies and thus gaining votes across the geographical-class cleavage. This cleavage is also reflected in a growing divide in Thailand about whether there should be monarchical reforms (as seen in the 2020 demands by the progressive Ratsadon demonstrators). Supporters of reform point to the king's lavish lifestyle at the expense of mostly rural impoverishment.

With regard to the second (ethnic and religious) cleavage, a long-simmering Malay-Muslim insurrection against Thai rule in three Deep South provinces has persevered. Prayuth's post-2019 pseudo-democracy military junta continued negotiations initiated by the 2014–2019 junta and Yingluck's government in 2013. The talks have continued sporadically. Meanwhile the military has prioritized a military solution. In 2021, incidents of violence in the conflict zone, while continuing, have begun to decrease.

In Thailand, civil society voices critical of the monarchy and military have always faced legal and informal persecution. This has recently included UDD "Red Shirt" groups that have continued to support Thaksin, rather than switching to back Prayuth. In parliament, the anti-Prayuth Future Forward and (pro-Thaksin) Pheu Thai party were allowed some critical input, especially regarding the need for military reform. But the pro-Prayuth Constitutional Court eventually dissolved Future Forward in February 2020.

In July 2020, mostly youth-led large civil society demonstrations began to occur in urban centers of Thailand on a regular basis. They demanded Prayuth's resignation, constitutional amendments and monarchical reform. The government attempted to weaken the demonstrations through police arrests (mostly targeting protest leaders) and water cannons. However, the protests have continued. Smaller ultra-rightwing societal groups (linked to the military) have made threats against the youth-led demonstrations. Prime Minister Prayuth has implied to Thai society-at-large that progressive demonstrators may seek to overthrow Thailand's monarchy.

Cleavage /
conflict
management

2

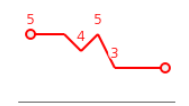
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Civil society
participation

3

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Civil society actors that matter to the state are those that backed the 2014 military coup and those who supported the pro-junta Palang Pracharat party in the 2019 general election. Thailand's government has made few attempts to actively involve civil society actors in its response to the COVID-19 pandemic.

Between 2019 and early 2021, the state used force against Malay-Muslim insurgents in Thailand's Deep South, but also attempted to negotiate with the insurgents and improve the lives of Malay-Muslims in the region. The state has tended to repress ethnic minorities in the north. In terms of historical ethnic, religious and class injustices, Thailand's political leadership has sought to socially construct an ideology of obedience around its monarch to ensure loyalty to the state.

In elite politics, divisions still exist regarding former prime ministers Thaksin and Yingluck Shinawatra. In parliament there is a bitter division between parties seeking more democracy, the pro-Thaksin Pheu Thai party and the Move Forward Party (successor to the dissolved Future Forward party), and parties supportive of the status quo: the junta-created Palang Pracharat, Democrat, Bhumjai Thai parties. Likewise, among popular organizations, there seems to be no reconciliation: the youth-led Ratsadon (people) umbrella grouping of progressive organizations (allied with some members of the Red Shirts) versus a growing number of smaller arch-royalist groups such as the Phakdee Group and Village Scouts (linked to the military). In October 2020, an attempt was made in the lower house to arrive at some sort of reconciliation through the adoption of constitutional amendments which would possibly satisfy progressive protesters. Thus far, however, this effort has proven ineffective.

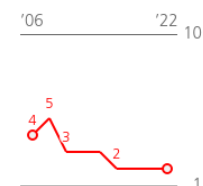
17 | International Cooperation

Thailand's political leadership has utilized economic support from international partners to develop mega-projects in line with the country's development strategies. China and Japan in 2020 were the largest foreign donors, investors and trading partners with Thailand. China and Japan have each entered into multi-year contracts to build high-speed train projects in Thailand. Regarding China, Thailand must pay for most of the rail construction costs, though Bangkok can borrow money from Beijing. Both China and Japan have initiated projects in Thailand's Eastern Economic Corridor. Despite the COVID-19 pandemic, in 2020 the Japan-dominated Asian Development Bank enacted several projects, including those to strengthen financial transparency in specific financial institutions and advance national financial literacy, implement flood management and pilot public-private cooperation in the social sector.

Meanwhile, China's Lancang-Mekong Cooperation Special Fund supported five business projects in Thailand in 2020. Over the last few years, Thailand has also received financial support from the World Bank for a variety of projects. Thailand's return to elected governance in 2019 led to increased willingness on the part of

Reconciliation

2



Effective use of support

6



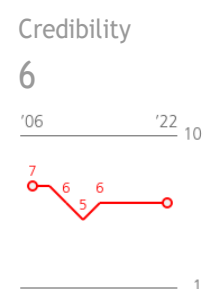
foreign donors to provide aid to and invest in Thailand. Both the 12th National Economic and Social Development Plan (2017 to 2021) and the 20-year national strategy (2018 – 2037) encourage long-term foreign cooperation to integrate various projects to improve Thailand’s development policy framework. The United States, China and Japan have provided Thailand with financial assistance to combat the COVID-19 pandemic. It is too early to assess the extent to which this assistance has affected Thailand’s long-term strategy of development.

Thailand’s government has continued to uphold almost all agreements/treaties with other countries, cooperating with most international organizations and countries to demonstrate that it is a trustworthy member of the international community. In addition, the Prayuth government has eagerly supported the previous Thaksin government’s ACMECS (Ayeyawady-Chao Phraya Mekong Economic Cooperation Strategy) with Myanmar, Laos, Cambodia and Vietnam. However, the government has experienced four major problems with international credibility in recent years. The first involves human rights. Although Thailand has to date ratified seven of nine core international human rights treaties, it has failed to live up to acceptable human rights standards (e.g., jailing violators of the lèse-majesté law), harming the country’s credibility in terms of the treaties it has signed. Human rights violations were on full display in March 2021 when police responded to peaceful demonstrators with violence.

Second, regarding democracy, following the 2014 military coup, despite the United Nations calling for an immediate return to the electoral process in alignment with internationally accepted democratic principles, a military junta was in power until 2019. The government which followed is heavily influenced by non-democratic actors such as the military.

Third, international credibility in Thailand has reduced given global perceptions that the Thai government is opaque, corrupt, possesses a shadow economy and lacks accountability at a time when the Thai economy is weak. It does not help that the president of the National Anti-Corruption Commission was a crony of the deputy prime minister.

Fourth, international credibility has been affected by the government’s March 2020 implementation of an Emergency Decree, ostensibly designed to help its response to the COVID-19 pandemic, but which increasingly appears to have been used to legitimize the state’s repression of demonstrations opposing continuing authoritarian rule. Both the 2014 – 2019 junta and the post-2019 pseudo-democracy which followed have tried to improve Thailand’s credibility (e.g., the 2018 enactment of a new anti-corruption law). However, allegations of malfeasance by powerful interests have continued up to the present day.



Thailand is a member of several regional organizations, including the Association of Southeast Asian Nations (ASEAN), the Asia-Pacific Economic Cooperation (APEC), the Asia-Europe Meeting (ASEM), the ASEAN Regional Forum (ARF), the Greater Mekong Subregion (GMS), the Lancang-Mekong Cooperation (LMC), and the Bay of Bengal Initiative for Multisectoral Technical and Economic Cooperation (BIMSTEC). It leads the Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy (ACMECS) and the Regional Comprehensive Economic Partnership (RCEP). In February 2021, Thailand became a full member of the Regional Comprehensive Economic Partnership, an agreement with ASEAN members states, as well as China, Japan, South Korea, India, Australia and New Zealand

Thailand's bilateral relations with its neighbors are currently stable but offer potential for conflict. One reason for this is the partly demarcated and disputed border between Thailand, Laos, and Cambodia. Border disputes with Cambodia were also fueled in the 2000s by the actors involved for domestic political reasons. The insurgency in the south, along the Thai-Malaysian border is likewise repeatedly accompanied by disputes between the two governments, as the Thai side suspects that the Malay authorities do not sufficiently control the border, while Islamist actors in Malaysia sympathize with Malay-Muslim insurgents in Thailand's southern provinces. There is also potential for conflict between Myanmar and Thailand, although the militaries in both countries share political and economic interests.

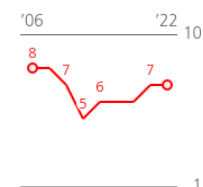
ACMECS is a Thai-led economic strategy to build projects in neighboring Laos, Cambodia, Myanmar and Vietnam.

In late 2019, Thailand established within ACMECS, a regional fund for Cambodia, Laos, Myanmar and Vietnam to back infrastructure and other development projects and reduce their dependence and reliance on Chinese investment. Thailand donated \$200 million to the fund. The ACMECS 2019 – 2023 Plan focuses on broader opportunities for the private sector's role in the implementation of ACMECS priority projects. Though these projects have primarily been geared toward transportation, since 2020 combating the COVID-19 pandemic has taken greater priority. In late 2020, Thailand announced that it would manufacture and distribute a COVID-19 vaccine to members of the ACMECS grouping by mid-2021.

Within ASEAN, Thailand has backed proposals for a "Travel Bubble" to facilitate the movement of people, especially tourists, during the age of COVID-19. In late 2020, following financial commitments from Thailand and Japan, it was announced that a road would be built connecting Thailand to a multibillion dollar economic zone in Myanmar's deep-sea port of Dawei. However, negotiations with Myanmar have been slow.

Regional cooperation

7



Strategic Outlook

In 2021, Thailand is an authoritarian regime, with elections occurring only in the lower house of parliament. The current Senate was appointed by the 2014–2019 military junta. The current prime minister is former junta leader General Prayuth Chan-ocha, who leads the military-created political party Palang Pracharat, which itself dominates the ruling coalition. Though Thailand's army ostensibly follows orders from Prayuth it answers only to Thailand's king, who holds complete, unchecked power across the country. The king has begun to personalize his direct control over military and police units, further centralizing his control.

In the short-term it seems unlikely that there will be a strong impetus for democratic reforms. Rather, it seems likely that Thai politics will remain dominated by an asymmetrical partnership between monarchy and military, with the military as junior partner. While the pro-Thaksin Pheu Thai appears to be biding its time until another election, opponents such as protesting students seek Prayuth's resignation, constitutional amendments, and monarchical reforms. While these protesters are increasingly popular, the continuing COVID-19 pandemic and some protesters' calls to diminish palace power (a divisive issue in Thailand) are preventing the protest movement from developing a larger public following at this time. The late December 2020 surge in new COVID-19 cases gave the state an excuse to quash these demonstrations. Meanwhile, state arrests of protest leaders are turning those arrested into martyrs for their cause.

To re-establish political stability in the near future, there must be an accommodation between the monarchy and military on one side, and the parliamentary opposition and street protesters on the other. This will require compromise, though it will be dominated by elites. Nevertheless, Prayuth may be forced to resign to placate demonstrators and it is possible that some moderate amendments will be made to the constitution to satiate military and ruling party opponents. It is highly unlikely that the palace will willingly diminish its own powers, despite the king's 2020 public statement that Thailand is the land of compromise. Another challenge for the government will be to maintain a stabilized Thai baht and guarantee market stability amidst the potentially worsening pandemic and its economic impact. The state will likely increase its fiscal spending and public debt to combat the pandemic, continuing to guarantee tax relief, bailouts, cash payouts, and other programs ensconced in expensive stimulus packages. A possible result of these policies will be higher inflation.

While Thailand continues to have a lower number of COVID-19 cases relative to most other countries, the country needs to do more to protect its borders from the pandemic and ensure that poor Thais receive enough financial aid to overcome pandemic-related economic problems. There needs to be more effort to secure a vaccine that is accessible to everyone.

The state will almost certainly continue its robust banking regulations and transparent banking transactions, thus strengthening its banking system. Nevertheless, the pandemic-influenced economic slowdown has negatively affected Thailand's banking system and capital markets. Until the COVID-19 pandemic begins to dissipate (following sufficient vaccination of the national population), tourism and even mega-infrastructure projects will remain stymied. These factors will continue to impede sustainable economic growth and social development.

Finally, resolving the insurgency in Thailand's Deep South necessitates sincere negotiations which move toward granting the region more development aid and limited autonomy.