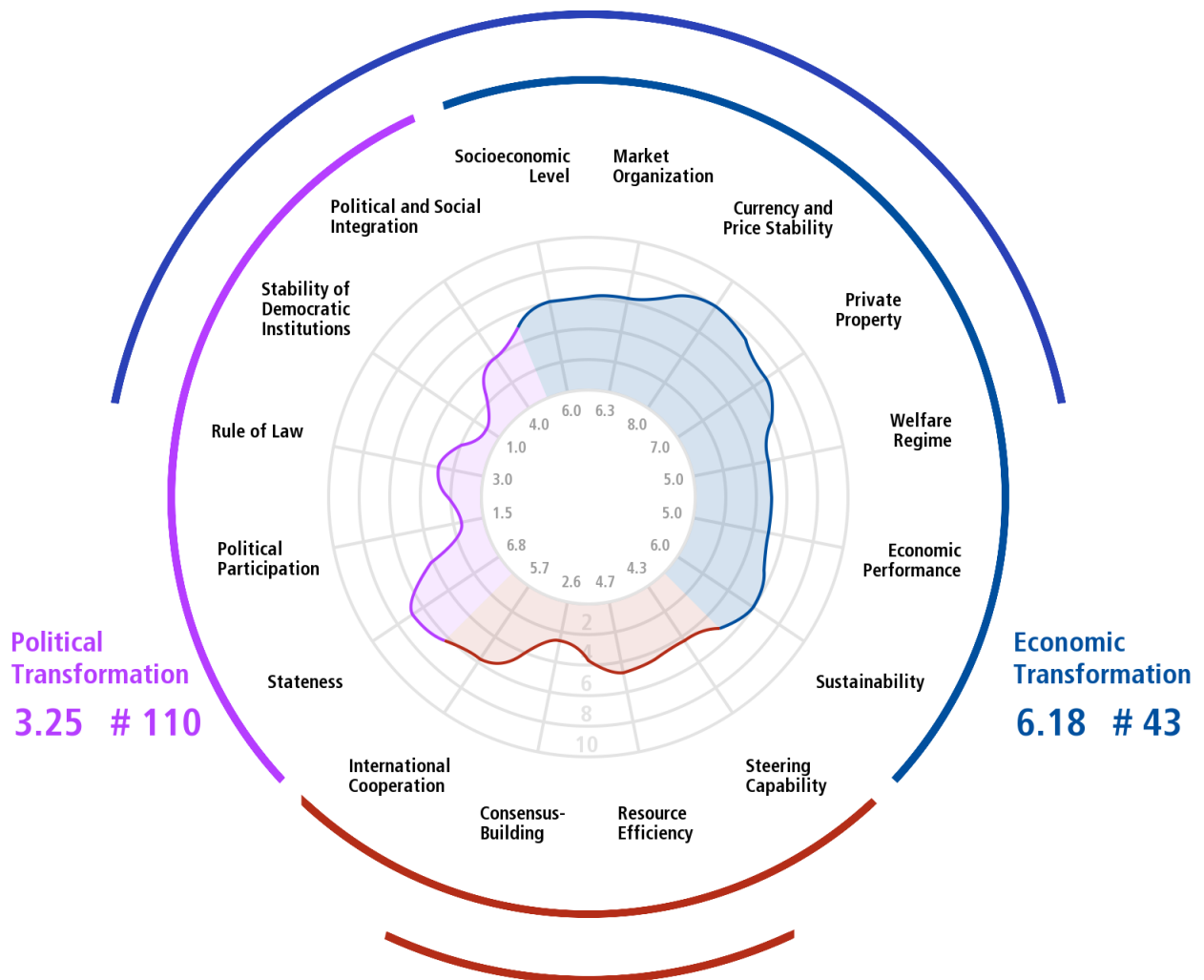


# Thailand

## Status Index

**4.71 # 87**

on 1-10 scale out of 129



**Political Transformation**  
**3.25 # 110**

**Economic Transformation**  
**6.18 # 43**

## Governance Index

**3.89 # 95**

on 1-10 scale out of 129

This report is part of the Bertelsmann Stiftung's Transformation Index (BTI) 2018. It covers the period from February 1, 2015 to January 31, 2017. The BTI assesses the transformation toward democracy and a market economy as well as the quality of political management in 129 countries. More on the BTI at <http://www.bti-project.org>.

Please cite as follows: Bertelsmann Stiftung, BTI 2018 Country Report – Thailand. Gütersloh: Bertelsmann Stiftung, 2018.

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

## Contact

Bertelsmann Stiftung  
Carl-Bertelsmann-Strasse 256  
33111 Gütersloh  
Germany

### Sabine Donner

Phone +49 5241 81 81501  
[sabine.donner@bertelsmann-stiftung.de](mailto:sabine.donner@bertelsmann-stiftung.de)

### Hauke Hartmann

Phone +49 5241 81 81389  
[hauke.hartmann@bertelsmann-stiftung.de](mailto:hauke.hartmann@bertelsmann-stiftung.de)

### Robert Schwarz

Phone +49 5241 81 81402  
[robert.schwarz@bertelsmann-stiftung.de](mailto:robert.schwarz@bertelsmann-stiftung.de)

### Sabine Steinkamp

Phone +49 5241 81 81507  
[sabine.steinkamp@bertelsmann-stiftung.de](mailto:sabine.steinkamp@bertelsmann-stiftung.de)

### Key Indicators

Population	M	68.9	HDI	0.740	GDP p.c., PPP \$	16917
Pop. growth <sup>1</sup>	% p.a.	0.3	HDI rank of 188	87	Gini Index	37.8
Life expectancy	years	75.1	UN Education Index	0.672	Poverty <sup>3</sup>	% 1.1
Urban population	%	51.5	Gender inequality <sup>2</sup>	0.366	Aid per capita \$	0.9

Sources (as of October 2017): The World Bank, World Development Indicators 2017 | UNDP, Human Development Report 2016. 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 a military administration governing Thailand, under the National Council for Peace and Order (NCPO) junta. Junta leader General Prayuth Chan-ocha simultaneously served as appointed prime minister. The junta's absolute rule has since been enshrined in law and the NCPO has muzzled political rights and civil liberties which previously existed under the country's democracy prior to the 2014 military coup d'état. Opposition groups (such as the New Democracy Movement) have been crushed, and its members imprisoned or intimidated. Political parties have not been legally banned but are not allowed to engage in any functions. Decentralized democracy has been terminated. By 2017, the economy was increasingly stagnant, having suffered initial shrinkage following the 2014 coup and declining GDP, as well as a lower than expected level of tourism. The recent decline in economic growth is partly a result of the slowing global economy as well as a reduction in trust in the government's ability to manage the economy.

Meanwhile, the NCPO initiated a process to return Thailand to democracy, where a military-dominated National Legislative Assembly (NLA) and National Reform Steering Assembly (NRSA) selected a Constitutional Drafting Committee (CDC). The CDC prepared a new constitution, which was passed by popular referendum in August 2016. Yet the character of the new constitution was decidedly conservative, with the military set to indirectly control an appointed Senate, an electoral system that prevents political parties from obtaining a majority of seats in the Lower House, and the opportunity for nonelected individuals (i.e., military) to be prime ministerial candidates. The new constitution ultimately facilitates the indirect continuation of military influence across Thai politics.

Having previously condemned the populist policies of deposed Prime Minister Yingluck Shinawatra as unsustainable and involving corruption, by 2017, junta leaders had moved to adopt

many parts of these same policies. Nevertheless, junta-backed judicial efforts continued to try Yingluck for dereliction of duty related to her government's populist rice-pledging policy.

In October 2016, King Bhumipol Adulyadej passed away after over 70 years on the throne. Given that he was so highly revered by Thai people, his death has initiated a prolonged period of mourning which will continue into 2018. Thais also perceived him as a symbol of durability, and thus his passing could potentially be destabilizing. Following the king's death Privy Council Chair Gen. Prem Tinsulanond became temporary head of state, serving as regent. In December 2016, Bhumipol's son Maha Vajiralongkorn officially assumed the throne. However, his coronation occurred in 2017.

In early 2017, advisers appointed by the NRC and backed by the NCPO were continuing the process of devising organic laws in support of the new constitution. The military promised new elections in late 2017, but has previously back-pedaled on promises of a return to democracy. The death of the king and subsequent monarchical succession offers the junta a rationale for extending its rule. Meanwhile, failing negotiations between the junta and Malay-Muslim insurgents in the deep south have produced a new wave of violence in the region.

## History and Characteristics of Transformation

Strong, centralized control has long been embedded across Thailand's politics and economy, though the country has witnessed instability with 13 overt military coups d'état. The country was an absolute monarchy until 1932, when a regime change allowed for the military to dominate the country. In 1957, following another coup, a new alliance between one military faction and the monarchy took over Thailand. By 1980, the alliance remained strong, though the monarchy was now the more powerful partner in the alliance. Democracy could never challenge these authoritarian actors as it was only superficially rooted in the country, having only existed briefly (1946-1947, 1975-1976, 1988-1991) and always falling to military coups. Military repression in 1992 tarnished the image of the armed forces and allowed for democracy to once again challenge the established order, especially through the 1997 enactment of a more progressive constitution. Meanwhile, by the 1990s, state-led economic growth had been shunted aside in favor of private sector-led, export-oriented industrialization based upon cheap labor, lax investment laws and tourism. In 1997, a financial crisis severely weakened the Thai economy. This led to the election of populist Prime Minister Thaksin Shinawatra in 2001 (re-elected in 2005), who instituted pro-poor policies and cultivated an enormous, loyal voter base. But several elites and senior military officials worried that Thaksin might become a threat to the aristocracy, including to the palace. Amid mostly urban protests against Thaksin in 2006, the military, led by anti-Thaksin senior brass, overthrew Thaksin. By 2008, a new constitution had been implemented which weakened elected civilians and Thaksin himself was in exile. However, another pro-Thaksin party won the December 2007 election and took office shortly thereafter.

Nevertheless, by December 2008, the courts had forced the government from power and senior officials of the armed forces and the King's Privy Council assisted in bringing an anti-Thaksin coalition government to office. The new anti-Thaksin Democrat Party-led government was in office from 2008 to 2011, and it generally acquiesced to military priorities during this time. In 2010, a pro-Thaksin ("Red Shirts") protests against the Democrat Party government were eventually repressed by the military, but the negative fallout from the repression and, to a greater degree, the continuing popularity of Thaksin's populist policies helped a new pro-Thaksin party Puea Thai, led by his sister Yingluck, win a landslide election in July 2011. Yingluck instituted several populist policies popular among the poor, but her attempt to change the constitution and obtain a legal amnesty for Thaksin sparked anti-Shinawatra protests by mostly urban Thais (People's Democratic Reform Committee/PRDC). Though Red Shirts backed Yingluck, PDRC protests continued. By May 2014, Yingluck was ousted from office by the judiciary for unlawfully transferring a bureaucrat. Though a Puea Thai prime minister succeeded her, he was ousted by a military coup on May 22, 2014. Since 2014, the National Council for Peace and Order (NCPO) military junta has held absolute rule over Thailand, jailing dissenters, breaking up opposition rallies or meetings, intimidating potential resistance and causing many opponents to go into exile. To shore up a declining economy, it has implemented a neoliberal agenda of megaprojects, Special Economic Zones and greater extraction of natural resources. It has also sought to dilute some of Thaksin's earlier populist policies, though it also copied many of them. Finally, the junta oversaw the monarchical succession in 2016 from King Bhumipol Adulyadej to his son King Maha Vajiralongkorn and looks set to persist as a major political player for the foreseeable future. Though the NCPO has promised elections in late 2017, it remains uncertain whether these will happen.

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

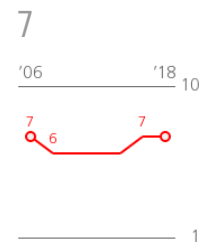
The National Council for Peace and Order (NCPO) junta has used the following strategies to achieve its aims. First, military courts have become the highest law in the land, supporting an opaque decision-making process and fewer rights for defendants relative to other courts. Second, the NCPO has created a Peace Maintaining Force, tasked with detaining any Thai deemed resistant to the junta, vaguely defined. In late 2016, over 1,500 people were arrested for opposing and potentially opposing the junta. Third, there has been a much harsher application of *lèse-majesté* (insults against monarchy) laws. Such laws, though applied before the 2014 coup, have since been used to arrest, try and imprison more people than ever before, although the official figure is difficult to obtain. The vague wording of the law has facilitated its abuse, with political opponents of the regime often charged with opposing the king. Fourth, elections have been terminated at all levels of society: national, provincial, city and sub-district. Fifth, in the deep south of Thailand, where a Malay-Muslim insurgency has been raging, the military has forcibly retaken control over the Southern Border Provinces Administration Centre (SBPAC) which was previously controlled by the elected civilian government at Thailand's national level. The main competition with the state's monopoly on the use of force is from the Malay-Muslim insurgents.

Although Thailand is a multi-ethnic country, being "Thai" is a supreme identity over any minority group, particularly those of other ethnicities. The citizenship regime is based on a constructed notion of Thainess, which has both assimilated (forcefully) and integrated other minorities over the past several decades. Although the legitimacy of the Thai nation-state is questioned by few, some groups are denied full citizenship rights. The biggest challenge to the legitimacy of the Thai nation-state continues to come from the Malay-Muslim insurgencies in the deep south.

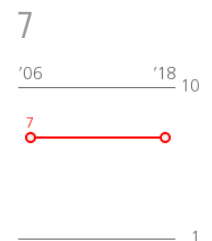
Ethnic minorities without citizenship in Thailand, which constitute largely the hill tribe people and more recently migrant workers and refugees from neighboring states,

Question  
Score

Monopoly on the  
use of force



State identity



are generally not allowed to vote, possess land, go to school, obtain public health care, be protected by labor laws or become civil servants. The Nationality Act (2008) grants total authority to the minister of interior to revoke citizenship from naturalized citizens (Article 14). The process of naturalization has improved over the years for some hill tribe groups as well as the process of legal registration for migrant workers, particularly from Myanmar. Ethnic minorities tend to be particularly vulnerable to human trafficking. In 2015, gruesome mass graves were unearthed in southern Thailand, revealing scores of bodies belonging to mostly Rohingya refugees who had been victimized by human traffickers. Upon being publicly confronted with these atrocities, the Thai government took steps to bring the perpetrators to court, where some were convicted. Attempts by various Thai governments to “Thai-ify” the deep south, where Malay-Muslims dominate the population, have ranged from violent repression, the imposition of Thai culture and education, and regional development projects. From 2004, when the insurgency recently intensified, to late 2016, almost 7,000 people were killed and at least 12,000 were wounded due to violence in the region.

Most Thai constitutions, including the current one passed in 2016, have mandated freedom of religion while forbidding discrimination based upon religion. Nevertheless, the Thai king can only be Buddhist. Furthermore, the state permits only national Buddhist holidays, subsidizes only Buddhist institutions and has only banned the insulting of Buddhism, even though different religions are observed in Thailand.

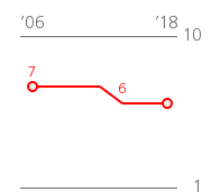
The 2016 constitution prohibits members of the Buddhist clergy from participating in the National Legislative Assembly, reflecting Buddhism’s importance to the Thai state. Meanwhile, the government limits the number of foreign missionaries allowed into Thailand; all religious organizations must be officially registered; and Buddhism is integral to Thailand’s official national identity. State authorities allied with Buddhist groups have been accused of coercing Malay-Muslims in the deep south as well as non-Buddhist, Christian hill tribe communities. Nevertheless, the Thai state continues to encourage interfaith dialogues. The teaching of Buddhism in public schools is widespread across the country but not for other religions.

Since coming to power in 2014, the junta has mandated that all schools teach 12 core values, including one which exactly reflects the Buddhist teaching on detachment from all desires.

Thailand has a bureaucracy that is largely centralized. Corruption, lethargy and a tendency to act only within standard operating procedures have been endemic among civil servants. Though the election of village headmen has existed in practice for over a hundred years, a system of decentralized administration at the provincial, municipal and sub-district levels only began to be implemented after the introduction of the 1999 Decentralization Act.

No interference of religious dogmas

6



Basic administration

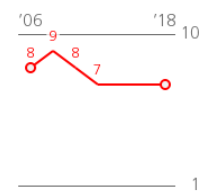
7

Following the 2014 military coup, the ruling junta issued a directive replacing the decentralization system with all appointed officials. In 2017, there are no planned elections at the local level. According to a recent United Nations report, 98% of Thailand's population has access to water while 96% has access to sanitation. Nevertheless, there is a disparity in administrative quality between Bangkok and provincial Thailand.

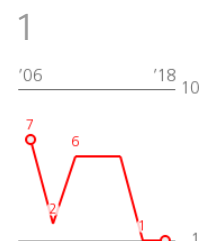
## 2 | Political Participation

The 2014 military coup terminated elections at the national, provincial, mayoral and sub-district level. Under the new 2016 constitution (which will apply during the next election), the electoral formula will be a mixed member apportionment (MMA) system which has been estimated to be particularly harmful to large parties such as Puea Thai, the party of Thaksin Shinawatra, and the Democrat Party, while helping smaller parties. It will make it very difficult for any party to win a clear majority and thus likely contribute to the fragmentation of the election system. The new constitution also allows political parties to nominate non-elected persons as prime minister candidates. It furthermore transforms the Senate (half-elected prior to the 2014 coup) into a body fully appointed by a committee which itself will be appointed by the junta (though six senators will be the senior-most military officers). In addition, under the draft, a new election commission shall have enhanced powers over elections, although the election commissioners themselves are to be chosen by a committee appointed by the newly appointed Senate (dominated by the military) rather than by the elected Lower House, producing the potential for partisanship among election commissioners. Election commissioners can cancel election results which they deem to have been dishonest with no right to appeal. As organic laws regarding elections had yet to be written at the time of this writing, more information about the election commission and about elections in general (e.g., equal media access) could not be ascertained.

In 2017, Thailand was under the authoritarian control of a military junta, as endorsed by the monarchy. Thailand's king and his Privy Council were also significant veto actors. There was no democracy of any kind. The NCPO junta was dominated by the army, although a number of former elected politicians have been working for the NCPO in an advisory capacity. The NCPO enacted a temporary constitution in July 2014 which amnestied the military coup instigators, gave the NCPO head total authority to disrupt or suppress with legal impunity (Section 44), and allowed for a military prime minister and National Legislative Assembly (NLA), mostly composed of military officers. A constitutional drafting committee (CDC), created by the NLA, drafted a new constitution which potentially allows for a nonelected military prime minister (who can be nominated by any political party) as well as an appointed Senate, heavily influenced by the junta. The constitutional draft was approved via popular referendum in August 2016 and the CDC enacted related organic laws with



Free and fair elections



Effective power to govern





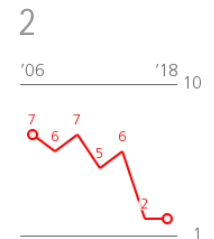
an overwhelming majority, although some international observers have argued the referendum was conducted unfairly.

Until the May 2014 coup, associations and assembly were conditionally guaranteed against interference or government restrictions while residents and civic groups could conditionally exercise their rights. The 2014 military coup led to a draconian crackdown on association and assembly rights as the military first invoked the Martial Law Act of 1914, which was replaced in March 2015 by the invocation of Section 44 of the July 2014 temporary constitution. Section 44 states that the junta leader “may issue any order or direct any action to be done or not to be done, irrespective of whether the order or action would produce legislative, executive or judicial effect.” Section 44 was partly utilized to muzzle association and assembly rights. The junta also increasingly enforced Section 112 of Thailand’s criminal code (*lèse-majesté*), which has been used by the military to intimidate and jail those protesting against the dictatorship. Groups such as the New Democracy Movement and Dao Din have protested against the junta and many of their members have subsequently been imprisoned. Several academic conferences perceived as subversive by the military have been canceled. Since the coup, hundreds of academics, students and journalists have been detained and forced to promise to refrain from political activities. In addition to repressing Thais opposed to the junta, the junta has also crushed demonstrations by farmers seeking more land rights, Thai Malay-Muslims, northern ethnic minorities and refugees.

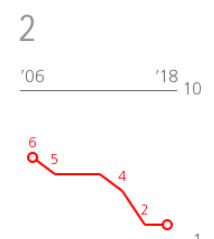
Despite the overall decline in the level of political freedom across the board since the inception of the Chan-ocha administration, the government has treated political and civic groups very unevenly. Specifically, the government continues to target and suppress specific political opposition groups that are deemed a threat to regime security. Other non-threatening political or civic groups have been left alone or permitted to continue their activities with little interference.

Since the 2014 military coup, the NCPO junta has cracked down on freedom of information, first through the Martial Law Act of 1914 and secondly through Section 44 of the 2014 constitution. The junta has ordered internet service providers to censor any information deemed provocative, causing public disturbance, containing official secrets, detrimental to national security or defamatory to the NCPO junta. Social media failing to block information deemed to be inciting unrest can be shut down; over 100 websites have already been shuttered. However, internet censorship tends to specifically targets political opposition and is not a blanket censorship. The NCPO has also closed 15 radio stations and 10 television networks, and it had several prominent TV hosts sacked for hosting a program which critiqued the regime. Meanwhile, an increasing number of books and movies have been banned, such as George Orwell’s 1984 and Animal Farm. The NCPO has vigorously pursued *lèse-majesté* cases, with 2016 being the year with the highest number of *lèse-majesté* prisoners in Thai history, 194 cases by December that year. The NCPO has

Association /  
assembly rights



Freedom of  
expression



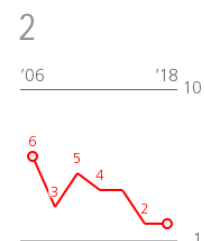
announced that it will pursue lèse-majesté suspects abroad, a pronouncement which could mean a further expansion of lèse-majesté cases. In December 2016, the NLA passed a strengthened cyber-crimes law which is more vaguely worded than its predecessor, mandates a five-year sentence for violators, and creates a five-person committee that can seek court approval to remove online content considered a breach of what the NCPO considers “public morals.”

### 3 | Rule of Law

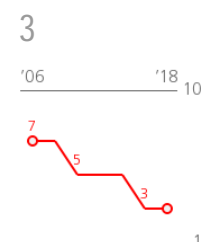
Under the current military government, there is no separation of powers, as the junta has far-reaching options to appoint and influence legislative and judicial branches of government. The military answers only to the monarch, his Privy Council or its own interests, which are not unified but quite diverse according to each military clique. As of 2017, the NCPO junta exerts veto power over an appointed cabinet and the judiciary while military courts are deemed higher than other courts. Other branches of the judiciary continue to function in a similar fashion as prior to 2014 but are subject to increased government intervention. It is assumed that a democratic separation of powers will exist again with the resumption of democracy, which the military has promised will occur in either late 2017 or 2018. However, the 2016 constitution, under which the new democracy will exist, gives the military overwhelming power over a new diluted democracy. Thus, though there will be a separation of powers between democratic structures, the military will continue to exert power over the system. Meanwhile, the monarchy holds power over the military.

The judiciary is differentiated into the Constitutional Court, courts of justice, the administrative court and military court. Besides the constitution Court, each branch has an appeals court and a supreme court. There have also been several “independent” monitoring organizations such as the Election Commission, the ombudsman, the National Counter-Corruption Commission and the State Audit Commission. However, the judicial branch and independent agencies have been extremely politicized and perceived as tools of arch-royalists who oppose Thaksin Shinawatra. Following the 2014 military coup, military courts became the highest courts in the land, with their decisions legitimized first by the Martial Law Act and later by Section 44 of the 2014 military-imposed constitution. Though other courts continued to exist, their power was subsumed under military courts, which were dependent on the military’s senior brass. These military courts, supported by other courts, issued decisions predominantly against 1) political parties, politicians and demonstrators aligned with Thaksin; 2) Thais who publicly spoke out against military rule; and 3) Thais accused of lèse majesté (these types of cases have skyrocketed since the coup). In September 2016, the junta issued an order halting the trial of civilians in military courts. However, the junta leadership declared that if anti-junta instability returned to Thailand, then the order would be nullified. In early 2017, a corruption trial was

Separation of powers



Independent judiciary

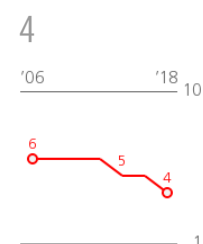


continuing against former Prime Minister Yingluck Shinawatra. The judiciary's acceptance of these charges was perceived by many to be politically motivated. If so, this represents partisan interests impairing Thai courts. The new 2016 constitution increases the power of the judiciary in that Constitutional Court decisions are considered final and binding upon the National Assembly and cabinet. In cases of national political deadlock, judges dominate a joint meeting to resolve the emergency.

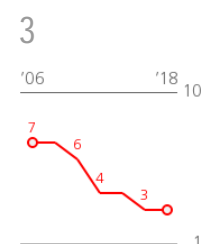
The prosecution of corruption is a political weapon in Thailand, almost entirely used against those allied with Thaksin. In early May 2014, the Constitutional Court ruled that Yingluck had abused her office by transferring a civil servant to another job in 2011, and she was forced to resign. One reason given for the 2014 military coup was to stop the corruption of the then-ruling pro-Thaksin Puea Thai government. The NCPO junta claims to practice a no-compromise approach in bringing to trial politicians and bureaucrats accused of varying forms of corruption. Yet many observers agree that anti-corruption efforts are strongly biased against the political camp of ex-PM Thaksin and his family, whereas corruption among the former prime minister's opponents remains largely unprosecuted. It has been shown that many military officers of the junta-appointed National Legislative Assembly are unusually wealthy, but no courts have dared to probe this issue. In late 2016, it was revealed that the nephew of junta leader Gen. Prayuth Chan-ocha was operating a construction company which garnered contracts from the army without competitive bidding. Once again, however, no prosecutions were ever made in court. In early 2017, a trial was continuing against Yingluck Shinawatra, who was facing criminal charges of dereliction of duty in a loss-ridden rice-pledging scheme which could put her in jail for 10 years. As junta-supported attorneys vigorously prosecuted her in a court whose judges were viewed as supportive of the junta, Yingluck's backers contended that the case against her was politically motivated.

The 2014 military-imposed constitution gives immunity to the junta leaders' actions, even if they violated human rights. Martial law permitted military authorities to specifically violate civil rights though the detention of individuals suspected of posing a threat to the military regime. People could be held without trial for seven days, though this period could be renewed again and again. Trials were held in secret military courts which allowed few, if any, appeals. A revision of the Military Court Act allows the military to detain or arrest civilians for up to 84 days without a court warrant. According to the United Nations High Commissioner on Human Rights, since the 2014 coup at least 1,222 Thais have been detained by the junta. Within military detention camps, there have been allegations of torture (beatings, death threats, mock executions and attempted asphyxiation); warrantless arrests on ambiguous grounds; and forced, temporary disappearances. Detainees undergoing "attitude adjustment" have often been compelled to agree in writing that they would not leave Thailand without the military's permission nor participate in any political activities. Violating the agreement could result in imprisonment. Meanwhile, human

#### Prosecution of office abuse



#### Civil rights



rights violations suffered by the Rohingya ethnic minority refugees have persisted. In 2015, the regime charged 92 Thais, including military officers, with the human trafficking of Rohingya that left at least 30 dead. In 2017, these trials continue. Human rights violations have also apparently worsened in the deep south of Thailand, where a bitter Malay-Muslim insurgency has been ongoing since 2004.

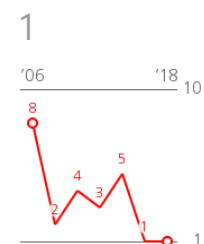
Section 112 of the criminal code pertaining to insults against the royal family (lese majeste) have violated civil liberties, with a single violation leading to up to 15 years in jail. At the beginning of 2017 there were 194 cases being processed and around 20 people jailed for lese majeste. Finally, internet rights have also been continually suppressed with the implementation of the 2007 Computer Crime-Related Act that, since the 2014 coup, has been used as a foundation for increased state surveillance on the internet.

#### 4 | Stability of Democratic Institutions

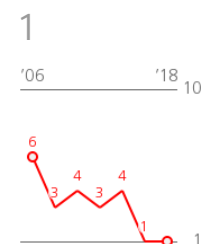
As of 2017, there are still no democratic institutions operating in Thailand. Even before the 2014 coup, most democratic institutions were under the tutelage of institutions which were not monitored by elected civilians, including the monarchy and military. The country is currently under military dictatorship, as enshrined under Article 44 of the 2014 military constitution. A 2016 constitution aims to reinstall democracy in Thailand, though it will be frail given that the monarchy and military will be able to dominate it. It has been said that democracy will return to Thailand in 2017, 2018, or perhaps 2019 or 2020. Nevertheless, this democracy will be weak as the monarchy and military will still hold sway over the system.

Supporters of the 2014 coup and the PDRC movement, which brought about this military intervention, would argue that the return of the military was part of a long-term plan to bring back a “true democracy” – one in which political elites would not be corrupt. The notion of democracy has been highly contested throughout the course of the decade-long political crisis in Thailand. Nonetheless, despite what the regime supporters would say, the 2014 coup ended democratic politics. In 2017, elements within the pro-Thaksin United Front of Democracy against Dictatorship (UDD), or Red Shirts, Puea Thai and the anti-Thaksin Democrat Party are increasingly reluctant to accept a continued military dictatorship. At the same time, there is a growing number of anti-junta groups. Though recent surveys have shown that a majority of Thais support democracy, most Thais surveyed in 2016 supported the ruling junta dictatorship. The August 2016 referendum on the junta-backed constitution revealed that most Thais supported its passage. At the same time, most Thais surveyed have shown that they want a return to democracy. This polling discrepancy illustrates Thailand’s paradox of democracy: while the majority favors pluralism, many Thais have supported military rule as an alternative to the ballot box. Ultimately, as military rule continues in Thailand, an increasing number of political actors prefer democracy as a more legitimate regime to the status quo.

Performance of democratic institutions



Commitment to democratic institutions



## 5 | Political and Social Integration

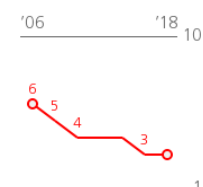
Thailand's party system remains under-institutionalized, fragmented and highly polarized. Most party organizations have low longevity; tend to be based on patronage, factionalized, clientelistic, regionally structured and non-programmatic. Most (including Thaksin's Puea Thai party) are power-seeking and rent-extracting, thereby recouping election losses and rewarding supporters. Nonetheless the Thai Rak Thai Party, headed by Thaksin Shinawatra, aimed to be among the most institutionalized party in Thailand. It has transformed its structure to build a true institution with stronger grassroots and more branches across the country than any other party in history. Yet it ended its life as a political party following the 2006 coup and its subsequent People's Power Party and Peau Party did not further the achieved institutionalization.

Perhaps the only exception is the Democrat Party, which is relatively less factious and has far more party branches. Nevertheless, it too has only slightly deeper party roots. All parties were created from the top down, driven by parliamentary, military or business elites. Some parties are vertical structures revolving around the personality of their leader. Rank-and-file members have little influence over party decisions; party switching is rife and party operations are generally opaque. Following the May 2014 coup, the junta prohibited all existing political parties from holding meetings or engaging in political activities, forbade any new parties from forming and suspended state funding for political parties. The current party system legally exists but is forbidden by the junta from functioning in public. In the review period, this situation has not changed. There have been rumors that the ruling junta will create a party of its own to compete with other parties. However, there is not yet any substance to these rumors.

The strength of societal organizations and interest groups has depended upon the sector. Until the May 2014 coup d'état, politically based social movements (specifically the pro-Thaksin UDD and anti-Thaksin PDRC) virulently opposed each other and were not necessarily supportive of democracy. Business associations, especially the Thai Chamber of Commerce (TCC) and Federation of Thai Industries, have been quite effective at influencing state policy. Labor unions, on the other hand, have generally been unsuccessful. Prior to the 2014 coup, there was a grand alliance of anti-Thaksin groups that finally pushed Yingluck's government out of power. It included the military, palace, PDRC, the Multi-colored Shirts group, the Democrat party, the Election Commission, the Association of University Presidents of Thailand, and business elites, including Singha Beer and the Charoen Pokapan Group. Though this grand alliance came from diverse segments of society, they had a narrow goal: ousting the Yingluck government. Following the 2014 coup, the NCPO junta refused to allow members of the UDD, PDRC or labor unions to engage in political activities. Some UDD and labor union members were detained. Most Thai

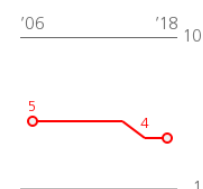
Party system

3



Interest groups

4



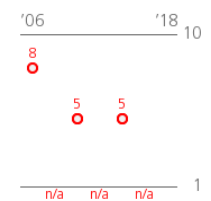
business associations reacted calmly to the coup. In 2016 and 2017, they generally continued to support military rule in Thailand, since they saw it as a stabilizing influence on the economy.

Following the 2014 coup, a July 25 NIDA poll indicated that 79.94% of Thai people voiced their support for the continued existence of the military junta. In 2016, NIDA and other polls continued to reflect that Thai people were happy with the junta. Nevertheless, the polls' reliability is dubious since they use only a small sample size, the wording of the questions has been vague and most of the poll groups (such as NIDA) have been identified as affiliated with partisan interests opposed to the Shinawatrass. However, in August 2017, a referendum on the military-supported constitution seemed to reflect that most Thai people supported the new charter. However, there were referendum problems including the fact that opponents of the constitution were not allowed to express themselves. Meanwhile, a flurry of pro-democracy groups has arisen, including the New Democracy Movement, the Organization of Free Thais for Human Rights and Democracy, Citizen Resistance and the Thai Student Centre for Democracy and Dome Front Agora.

Thai family and kin groups have served as crucial actors expediting collective action. Meanwhile, already-tight community groups have helped to make the decentralization of administrative capacities a successful phenomenon. Dense networks of mechanisms and structures have brought forth business associations, unions and NGOs. Some of the freedom to associate has declined with the introduction of the junta government in 2014. Thailand's government has worked to spark greater social-capital-based relationships. Consecutive national economic and social development plans (including the latest one) have sought to harness social capital as a means of boosting development. The Thai Social Enterprise Office (TSEO) was created in 2010 to provide backing for social enterprises. The TSEO enacted the Social Enterprise Master Plan (2010-2014). By early 2014, there were close to 120,000 social enterprises in operation. Since the 2014 coup, the junta has not allowed the expansion of social enterprises, viewing such organizations with suspicion. In 2017, the junta has created obstacles to their growth. As the junta remains in power and the economy worsens, trust among citizens in the state has diminished while political divisions among citizens persist.

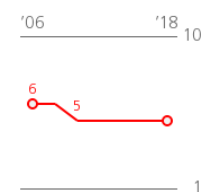
Approval of democracy

n/a



Social capital

5



## II. Economic Transformation

### 6 | Level of Socioeconomic Development

Since 2005, Thailand has experienced an overall upturn in its socioeconomic development, as indicated by the UNDP's Human Development Index (HDI). The country received a 2014 HDI value of 0.762 and an HDI ranking of 93 out of 187 countries (improving two spots since 2010), while the country's 2015 per-capita GDP (purchasing power parity) was \$16,306 alongside a moderately growing economy. The literacy rate is 66.5%, approximately 93% of the population has access to improved sanitation facilities and clean water, with 98% having access to improved water sources (World Bank).

Meanwhile, in 2014, Thailand moved from 0.364 (2013) to 0.380 (2014) or increasing inequality from a rank of 70 to 76 out of 135 countries on the Gender Inequality Index (UNDP). At 45.5% in 2015, females comprise less than half of Thailand's formal labor force. Moreover, income inequality has persisted. The wealthiest 20% of the population earns half the total income. The Gini Index increased from 39.12 in 2012 to 39.4 in 2013 and has remained there in 2014. The growing and 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 UNDP, 0.9% of Thais continue to live on less than \$3.10 per day, while according to the Asian Development Bank says that 10.9% of Thais live below the national poverty line. These socioeconomic challenges have been most acute among Malay-Muslims in the far south (where insurgency has hindered development attempts), northern ethnic tribal groups (many of whom lack citizenship), as well as in the country's populous northeast (where 66% of impoverished Thais reside). While some of Thailand's previously enacted pro-poor populist programs, such as the Yingluck government's THB 300 minimum wage, have been kept by the post-2014 junta, others have not. In 2015, the junta began trying to wean farmers off of Yingluck's rice subsidies and in 2017 is increasingly attempting to implement a populist program of its own called State Populism.

Question  
Score

Socioeconomic  
barriers

6

'06 '18 10



1

Economic indicators		2013	2014	2015	2016
GDP	\$ M	420528.7	406521.6	399234.5	<b>406839.7</b>
GDP growth	%	2.7	0.9	2.9	<b>3.2</b>
Inflation (CPI)	%	2.2	1.9	-0.9	<b>0.2</b>
Unemployment	%	0.8	0.8	0.7	<b>0.6</b>
Foreign direct investment	% of GDP	3.8	1.2	2.3	<b>0.4</b>
Export growth	%	2.7	0.2	0.7	<b>2.1</b>
Import growth	%	1.7	-5.3	0.0	<b>-1.4</b>
Current account balance	\$ M	-4845.5	15285.7	32149.0	-
Public debt	% of GDP	42.2	43.4	42.7	<b>42.2</b>
External debt	\$ M	137353.2	135291.6	129654.1	<b>121497.2</b>
Total debt service	\$ M	12885.2	14974.9	19281.1	<b>14310.3</b>
Net lending/borrowing	% of GDP	0.1	-0.9	-0.1	-
Tax revenue	% of GDP	17.3	15.9	16.3	-
Government consumption	% of GDP	16.4	17.0	17.3	<b>17.1</b>
Public education spending	% of GDP	4.1	-	-	-
Public health spending	% of GDP	5.3	5.6	-	-
R&D expenditure	% of GDP	0.4	0.5	0.6	-
Military expenditure	% of GDP	1.4	1.4	1.4	<b>1.4</b>

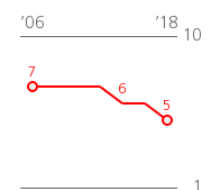
Sources (as of October 2017): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

## 7 | Organization of the Market and Competition

Since the 1980s, various governments in Thailand have largely embraced neoliberalism in their trade and investment policies. Thailand is officially a pro-business country, with laws intended to attract foreign investment and a constitution guaranteeing the presence of a free-market system. Yet despite efforts to institutionalize market competition more fully, the situation remains flawed. Following post-1997 deregulation and transparency efforts, the process of bidding for contracts has remained somewhat opaque. An example of non-transparency in state contract bidding during the period can be seen in the 2016 scandal of Contemporary Construction Limited Partnership (CCLP). Partly owned by the

Market-based competition

5



1

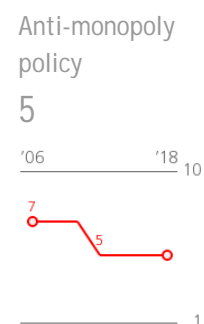


nephew of junta leader Gen. Prayuth Chan-ocha, CCLP easily won contracts for the construction of two buildings worth a total of 26.9 million baht.

In November 2014, the junta-appointed National Legislative Assembly passed a bill requiring government agencies to set deadlines for granting approval to businesses bidding for contracts, in order to make tendering more convenient and thus reducing potential corruption. The persistent influence of powerful economic interests continues to hinder the development of Thailand's financial sector. The country also continues to have a large underground economy and informal sector, from which many Thais derive their earnings. According to the National Statistics Office of Thailand (2014), 64% of the total workforce is informal labor, mostly employed in the sectors of production, services and agriculture. Almost all lack social safety net and labor protections and are not part of the country's tax system. Less than 40% of the workforce pays tax and Thailand's tax revenues remain the lowest among Association of Southeast Asian Nations (ASEAN) countries – just 17% of GDP. Meanwhile, the junta canceled a draft tax on land and buildings. The informal sector is not comprehensively covered by the country's current tax system, though it generally produces over 50% of the country's gross domestic product. Women have traditionally made up a large proportion of Thailand's informal sector employment. Thai employers increasingly rely on cheaper immigrant labor, as a means to better compete with lower-cost industries in China and Vietnam. Administered prices for transportation, education and medical fees, basic consumer goods and diesel fuel continue to be on the upswing. There are few entry barriers to the Thai market except for those involving foreign firms. Thai law generally prevents foreign firms from acquiring majority ownership. Large, domestic firms (private or state), with legal and financial advantages, enjoy the least obstacles in terms of market competition. In 2017, competition among firms (especially in the securities and telecoms sectors), became extremely intense, squeezing out small and mid-sized companies. The military regime continues to favor trade liberalization and free trade ventures with a growing number of countries, especially China.

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. Pressure from big business and inadequate enforcement hindered trade competition commission efforts. BY 2016, though 85 cases of unfair trade competition have been filed and considered by the Commerce Ministry during the years when the act has been in force, not a single case made it to legal judgment.

In 2016, the junta introduced modifications to the law to create a better business environment, reduce market dominance, and ensure a fair and level playing field for enterprises to do business based on international standards. Amendments to the trade competition act should shorten the investigation period for suspected violation of the rules, and investigators will have complete authority to summon witnesses or ask for documentation. The proposed new committee will also be empowered to order



enterprises found to be conducting an unfair practice to cease and desist and punish wrongdoers. In late 2016, these amendments were approved by the cabinet.

In 2017, continuing trade barriers remain an obstacle to those seeking to liberalize foreign trade. High tariff barriers include those 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 is still not a signatory of the WTO (World Trade Organization) Agreement on Government Procurement. Thailand's 1999 Foreign Business Act (FBA) forbids majority foreign ownership in most sectors. Recent changes to the act bar foreigners from utilizing nominee shareholders or preferential voting rights to control Thai companies in certain sectors. In mid-2016, the junta modified the FBA such that foreigners wishing to engage in certain liberalized businesses are not required to obtain a foreign business license or have minimum registered capital of 3 million baht, as required by the FBA.

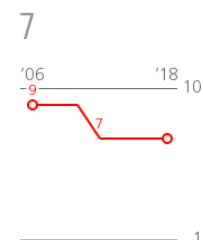
The country has avidly promoted bilateral, regional and global free-trade agreements (FTAs); indeed, Thailand has been a major supporter of ASEAN Plus 6 Free Trade Area and ASEAN Community 2015. Thailand is a member of China's Regional Comprehensive Economic Partnership (RCEP) and has had a bilateral FTA with China since 2003. In 2016, Thailand was moving closer to conclude an FTA with India. Negotiations for a Thailand-United States FTA have thus far foundered over U.S. demands for more international property rights protections. Work toward a Thailand-European Union FTA stalled as a result of the EU's disdain for Thailand's 2014 coup. Thailand's junta has followed the previous government's policy of promoting greater regional trade liberalization in the Greater Mekong Subregion. However, evidence of Thailand's inability to safeguard international trade standards was reflected in 2016 by the fact that the Office of the U.S. Trade Representative once again placed the country on its Priority Watch List. This action generally owed to Thailand's failure to address copyright piracy, trademark counterfeiting and other infringements of intellectual property rights.

Thailand has a banking system and a capital market which are differentiated and in principle oriented to international standards. As a result of lessons learned from the past and subsequent financial reforms, Thailand's banking sector is relatively more stable than banking sectors in many developing and advanced countries, despite suffering from recent domestic political chaos and a military coup.

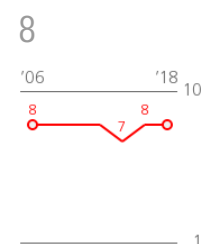
The share of non-performing loans stood at 3.3% in 2016 and the economic slowdown, resulting from political chaos and diminished private sector confidence, contributed to what appeared to be an increasingly stalling economy.

The bank capital-to-assets ratio increased from 9.2% in 2014 to 10% in 2015. Moreover, there has been a slowdown in loan growth. Banking reforms since 2006

Liberalization of foreign trade



Banking system



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. This has included Thai banks' issuance of BASEL III-compliant instruments such as injections of public funds.

Meanwhile, with the goal to expand banking competition and promote more banking services, the Bank of Thailand drafted Financial Sector Master Plan II (FSMP II) for 2010 to 2014. The eligibility for such licenses officially commenced in December 2013 and a further phase in 2014 permitted even more full commercial licenses for foreign banks. The successor plan has already begun.

The state has also sought to enhance banking transparency. In 2017, 11 of 17 Thai banks were listed on the Stock Exchange of Thailand (SET), ensuring banking transparency at least for these listed institutions. Market capitalization within the SET has been unstable. In 2016, daily turnover at the Stock Exchange of Thailand (SET) and Market for Alternative Investment (MAI) reached \$10.2 billion and THB 946.1 billion, respectively. In addition, the market's capitalization grew to THB 13.856 billion in 2014, up from THB 11.496 billion in 2013. In 2016, the SET ranked as the third best-performing market in ASEAN and the 19th best-performing in the world. The country's struggling equity market, reacting to the 2013 to 2014 political turmoil, nevertheless suffered less than expected.

## 8 | Currency and Price Stability

Inflation has been a problem for Thai governments in recent years; from 2000 to 2013, it averaged 2.7%. However, it dropped to -0.9% in 2015 from 1.9% in 2014. In 2017, inflation may be growing again.

In addition, the Stock Exchange of Thailand (SET) Index has experienced a bumpy ride owing to years of political turmoil until the 2014 coup. In 2016, the SET increased to 1591 from 1535 index points in 2015.

Meanwhile, the Bank of Thailand, which in 2007 had abandoned the managed float system, followed a flexible foreign exchange policy that permitted the baht to move in line with the market – a policy which, Prime Minister Yingluck (2011-2014) generally maintained. The Bank of Thailand regularly intervenes in the market to prevent excessive volatility of its currency. Since becoming governor of the Bank of Thailand in 2015, Veerathai Santiprabho has maintained tight monetary policies especially in terms of continuing high interest rates to stabilize the baht. Veerathai has kept bank rates steady, but in late 2016 he warned that inflation would rise in 2017 by 1%. In addition, prices will likely be boosted by the initiation of several junta-promoted infrastructure projects.

Anti-inflation /  
forex policy

8



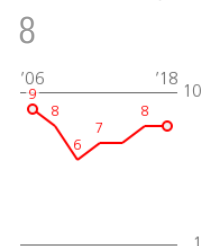
1

The Bank of Thailand prohibits baht-denominated lending to nonresidents where there are no underlying trade or investment activities by the borrower in Thailand.

Formally the Bank of Thailand is an independent agency, but since the 1997 financial crisis, its independence has continued to be questioned given past precedence of executive intervention. Since the 2014 military coup, the bank has insisted that it has maintained independence from political intervention despite existing alongside a junta which has sought higher military funding and military-sponsored economic populism.

From 2014 until 2015, Thailand's current account balance doubled from \$15,413.5 million to \$31,954.1 million while total reserves edged up from \$151,253.3 million to \$151,266 million. Meanwhile, with a self-imposed debt ceiling of 60%, public debt went from 43.6 down to 43.1% of GDP. When the 2014 coup initially occurred, most foreign investors and trading partners diminished their dealings with Thailand given that investing in a country ruled by a military dictatorship was thought to be fraught with too much political risk. Only Chinese investment seemed to grow. At the same time, foreign capital has increasingly shied away from the Thai market, particularly in long-term bonds. Foreign investors have recognized that Thai growth is falling behind earlier expectations that the junta's policies would quickly spark private-sector led growth. To prop up the Thai baht, which has begun to fall in value, the junta has begun selling off its international reserves. Thailand ended 2015 with its first trade surplus in five years, at 1.48 billion Thai baht. Thailand is placing its economic growth hopes primarily on tourism as well as the initiation of 20 infrastructure megaprojects (costing 1.41 trillion baht between 2015 and 2022). These projects will mostly use public financing and, because of this, public debt is supposed to be 53% of GDP in 2019 and 52% in 2020. Ultimately, the junta's fiscal and debt policies have generally succeeded in supporting macroeconomic stability, though they have been implemented almost too slowly over the last three years. With regard to fiscal policy, in 2016, the junta finally accelerated budget spending in an effort to help Thais in all walks of life, from farmers to small businesses, in an effort to boost local demand amid falling exports. In addition, to stimulate the grassroots economy, the junta in 2016 announced a subsidy to guarantee prices for struggling farmers. However, it was much more diluted than the previous Yingluck government. Meanwhile, since 2014, the regime has succeeded in following a debt policy in which public and private debts are kept moderate and manageable.

Macrostability



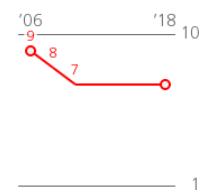
## 9 | Private Property

In 2017, property rights as well as property acquisition continue to be loosely and informally enforced in Thailand, often depending upon personal contacts. The military junta has sometimes used arbitrary power to take property away from Thai citizens. The 2016 International Property Rights Index, which addresses legal,

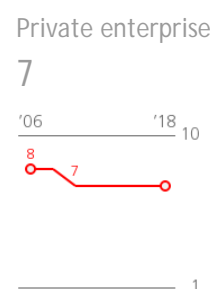
Property rights

7

political, physical, intellectual and gender issues regarding property rights, ranked Thailand 65 out of 128 countries worldwide, and 12 out of 20 countries in Asia. This score represented an improvement from 2015 to 2016 of 0.1 points. While the Philippines and Brazil are ranked above Thailand, Bulgaria and Indonesia are ranked lower. This scaling has changed little over the years. The Heritage Foundation's 2016 Index of Economic Freedom has diminished Thailand's score on property rights since the 2014 coup from 45% to 40% (on a 0-100% scale), blaming the military coup for the drop in the score. According to the Heritage Foundation, the 2014 military coup weakened judicial protections, increased judicial vulnerability to partisan interference, and thus weakened property rights. Moreover, there has been a decline in the rule of law as measured by property rights. Since the coup, the junta has engaged in forced evictions of rural poor people without financial compensation. Though Thailand maintains an Intellectual Property and International Trade Court, intellectual property piracy persists. Finally, the government can disclose trade secrets to protect its perception of public interest.



Though Thailand has a large public sector, private firms remain crucial to the country's economy. In 2017, starting a business took four procedures and 28 days (the third shortest in Southeast Asia), thanks to reduced bureaucratic obstacles. However, efforts at privatization have hit a wall given resistance from parts of civil society as well as entrenched, vested interests. The state has passed legislation forbidding the privatization of socially vital state enterprises (or those holding "commanding heights") such as the Electricity Generating Authority of Thailand (EGAT) or the Water Works Authority (MWWA). As such, privatizations efforts such as those of the Port Authority of Thailand, the State Railway of Thailand, and the Mass Communication Organization of Thailand (MCOT) have all been stymied. Since the 2014 coup, the ruling junta took control over the country's 56 state corporations. In 2017, a growing number of senior military officers continue to sit on the boards of these state enterprises, giving rise to apprehension that such officials will use their influence with these enterprises to bolster their economic interests. Junta leader Gen. Prayuth Chan-ocha supports the privatization of universities, with the result that tuitions have continued to rise and institutions unable to adapt to the transition have been shuttered. Prayuth has sought to woo private investors to support Thai government efforts to develop the East-West Economic Corridor, the Dawei commercial port in Myanmar and rail links to Laos and Cambodia, all of which are aimed at benefiting private enterprise trade with China and Japan. The junta has also used its decree powers to cut the environmental impact assessment (EIA) process by half to expedite mega construction projects, especially those which are PPP (Public and Private Partnership) megaprojects in order to entice more private enterprise investments.

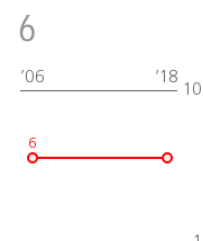


## 10 | Welfare Regime

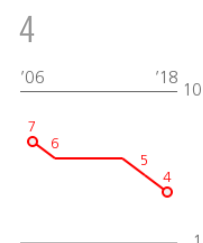
In Thailand, a social security act was enacted in 1990, while a labor protection act was enacted in 1998. In 2001, Prime Minister Thaksin Shinawatra introduced a health care program where all Thais only had to pay 30 baht (\$1) at the hospital for most procedures. This universal coverage scheme, combined with two other schemes, covers civil servants and general social security. These schemes vary in quality and access, and a number of medical professionals have long argued for a harmonization of the public health system. After, Prime Minister Yingluck Shinawatra (2011 to 2014) initiated an assortment of pro-poor policies including greater cash flows to farmers and a partially-implemented minimum wage. Yet, universal health care, a priority of Thailand's 11th National Development Plan (2012-2016), did not appear in the successor 12th National Development Plan (2016-2022). The new plan instead focused upon discovering the "social determinants of health." After the 2014 military coup, the new military regime looked for ways to reduce public health expenditure (5.6% in 2013). In late 2016, junta leader Prayuth stated that the Thaksin-implemented 30-baht health care program would not be revoked but would be modified to save money. The concern over the high costs of maintaining the universal coverage scheme is real, partly due to its free and widespread use, but also a growing concern over the aging population, already placing significant strain on the system. The junta has removed subsidies for farmers introduced by the Yingluck government, but has offered similar loans to the same farmers in a bid to help farmers and boost rice prices. The regime is promoting its own "Pracha Rat" (State Populism) policies which ambiguously are intended to lessen social risks for Thai people. However, these policies are lacking in substance so far. Finally, the junta enacted the long-delayed National Savings Fund in 2015. The law assists Thais in the informal sector who do not have access to the government pension scheme or social security system, so that they will still have income after retirement.

In 2017, Thailand continued to experience a 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. In Thailand, women make up 45.5% of the labor force but in general are relegated to lower paying jobs or employment in the informal sector. At the same time, 78.3% of males are literate versus 55.3% for females. Thailand ranked 71 out of 144 on the World Bank's 2016 Global Gender Gap Index, a drop from 60 out of 145 in 2015. Statements by the military junta leader have not helped gender equality. In February 2016, junta leader Prayuth Chan-ocha publicly stated, "Everyone says we must create equality – men and women deserve the same rights and can do the same good and bad things. Oh, if you all think so, the Thai society will deteriorate!" On a positive note, the military-controlled parliament passed a gender equality act in 2015. The law aims to punish

Social safety nets



Equal opportunity



discrimination based on gender identity and sexual orientation, with violators facing up to six months in jail and a 20,000 baht fine.

As for migrants and ethnic minorities, the junta has shown little inclination to assist these groups. Rather, in 2016, the junta (in the interests of the company Betagro) prosecuted activist Andy Hall who had accused Betagro of abusing the rights of migrant laborers working at its pineapple factory. Hall was given a suspended prison sentence but the threat of more charges forced him to flee Thailand.

The Royal Forestry Department has reclaimed the lands of ethnic minority groups in certain provinces, evicting ethnic minority villagers. The junta has done little to actually put an end to the mistreatment of Rohingya people, many of whom are human trafficking victims after fleeing to Thailand from Myanmar. It has even been revealed that army and navy officers have been involved in abusing Rohingya and other ethnic groups with legal impunity. Thailand has not ratified U.N. conventions on refugees and has forcibly repatriated Burmese, Hmong and Rohingya refugees.

A major hindrance to equal opportunity in Thai society is pervasive and structural wealth inequality. Access to the best schools, hospitals and employment are concentrated in Bangkok and a few other major cities and only the select few who could afford it or have the right connection can access them. There has been no serious governmental effort to mitigate this. Instead, continued privatization of the health care system, the education system and casualization of employment in the public sector will continue to privilege those in the upper socioeconomic rungs of society.

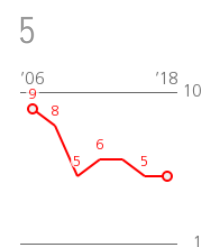
## 11 | Economic Performance

Thailand's GDP per capita based upon purchasing power parity (PPP) was at \$15,755 in 2014 and \$16,306 in 2015. Meanwhile GDP growth increased from 0.8% in 2014 to 2.8% in 2015. Inflation dropped from 1.9% in 2014 to -0.29% in 2015.

The latest data on employment finds that unemployment decreased from 2013 to 2014 with an adjustment of 0.7 to 0.9 across the two years. Foreign Direct Investment moved from 1.4 to 1.3% of GDP from 2014 to 2015. The current account balance indicates heightened activity. As for public debt, it has gradually risen from 43.6% in 2014 to 43.1% in 2015. There was a cash surplus amounting to 1.1% in 2014, which increased to 1.3% in 2015. Meanwhile, tax revenue has transitioned from 17.3% of GDP in 2013 to 16% of GDP in 2014. Finally, in terms of gross capital formation, in 2015, Thailand held 27.5% of GDP, compared to 24.1% of GDP in 2014.

Meanwhile, since the 2014 coup, there has been a 10.4% drop in tourism, dismal exports, plummeting car sales, growing state debt, diminished rice and rubber prices, increasing household debt, lukewarm domestic consumption and private investment, and delays in the government's budget disbursement.

Output strength



Meanwhile, Thailand's continuing low unemployment has helped the economy, although this does not include the informal sector. It stood at 0.7% in 2013 and 0.6% in 2014. In 2014, there was also a growth in consumption prices but a drop in the cost of living. Inflation diminished to 2.2%. The public debt ceiling stands at over 60% of GDP, with public debt in 2014 having risen precipitously. Meanwhile, taxes represent 17% of GDP. Though private consumption continued to diminish in 2016, both private and public consumption are expected to grow respectively at 3.7% and 3.6% in 2015. Gross capital formation diminished from 29.7% in 2012 to 29.2% in 2013. In 2015 Thailand recorded a budget deficit of THB 250 billion (- 2.5% of GDP) and in 2016, the junta has stated that this figure will remain the same.

## 12 | Sustainability

In 1992, the state enacted the National Environmental Quality Promotion and Protection Act, a law which required environmental impact assessments (EIAs) for 35 types of projects to minimize their adverse environmental impacts.

Environmental NGOs are among the most active section of civil society that have fought for increased environmental protection, in combination with fighting poverty, particularly in the cases of land rights and mega infrastructure projects (such as dam construction). Following the 2014 coup, it seemed that the NCPO junta might promote some pro-environmental policies. Indeed, Section 57 of the draft 2016 constitution mandated that the state would “conserve...natural resources, environment and biodiversity to attain benefits in a balanced and sustainable manner...” However, vested interests with bureaucratic connections have often succeeded in encouraging the Thai state (especially the current junta) to prioritize economic profits over national environmental welfare. In fact, the junta (NCPO) has subordinated environmental concerns to economic priorities and suppressed efforts by some environmental groups to protest. For example, in January 2016, the junta leader exempted the construction of buildings in new Special Economic Zones from the regulatory power of national or local authorities. The exemption from such regulations also applied to coal and nuclear power plants, water treatment plants, garbage disposal and collection plants, recycling plants and gas processing plants. Then, in March 2016, the NCPO decreed that state enterprises/government agencies could choose private firms to initiate projects, even before EIA approval. The purpose of these exemptions appears to be to attract foreign investors to Thailand and tap energy needs. In 2016, the junta has also made clear its plans to proceed with plans to build the highly controversial Mae Wong dam. Over 40 NGOs have come out against the junta's anti-environment legislation and 46 NGOs have demanded that the NCPO scrap its March 2016 decree. The regime is cracking down on environmental dissent. For instance, in 2016 environmentalists protesting the NCPO's planned construction of a waste-fired power plant near a raw water storage plant, they were arrested and held in jail on charges of being mafia.

Environmental  
policy

6

'06 \_\_\_\_\_ '18 10



1

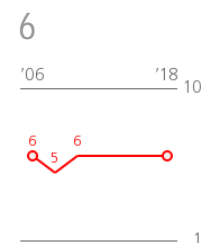


The Thai public education system exists across the entire country, it has been mostly free and school attendance is close to universal. According to UNESCO, Thailand's literacy rate in 2015 (for people 15 and above) was 96.7% while gross enrollment has continued at approximately 92.8% at the primary level and 87% at the secondary level – schooling is compulsory in Thailand up to ninth grade. As for relative school enrollment, the ratio of male to female students is as follows: 1.0 at the primary level, 1.1 at the secondary level and 1.3 at the tertiary level. From 2000 until 2015, the gross enrollment ratio of those enrolled to relative age group has been 104 (primary level), 86 (secondary level) and 52.5 (tertiary level).

However, the quality of public education varies widely with the highest quality schools concentrated in Bangkok and a few other major cities. Such disparity in access to public schools is also similar for access to high quality teachers. The biggest obstacles to education are in the far south where schools have often closed and teachers have been shot because of the regional insurgency. Moreover, problems of financial mismanagement in the education system are still not being adequately addressed. Thai students, when tested through the Program for International Student Assessment (PISA) and the Ordinary National Educational Test (O-Net), have generally received lower scores. The PISA assessment in 2012 found almost one-third of students aged 15 “functionally illiterate.” But the most recent PISA assessment in December 2016 shows that Thai scores have tumbled even further. PISA indicates that Thailand today is in the bottom 25% of 70 countries in terms of mathematics, reading and science. While some might say that Thailand's lower education level is not so different than countries with similar incomes, Thai spending on education has tended to be higher than many of these countries. Since 2002, the Thai education budget doubled; however, for the 2017 national budget, the junta decreased spending on education to 4.7%. This represents the first time that the state has sought to invest less in education since before 2002. The ruling junta is looking to implement a new policy whereby subsidized education would now end at ninth grade rather than twelfth grade. Another policy aims to merge smaller schools into larger ones. Finally, the junta has appeared to give the most priority to engraining 12 “slogans” into the educational curriculum, such as “correctly” comprehending democracy and better loyalty to monarchy.

The latest figures on research and development (World Bank, 2014) indicate that Thailand allocated 0.5% as a percentage of GDP. Though this represented a rise in R&D, figures since the 2014 coup have been unavailable. The establishment of national research universities, which included 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 leaves out other provincial universities from gaining access to R&D funding. Moreover, investment in R&D has continued to lag behind Singapore, Malaysia and Indonesia.

Education policy /  
R&D



## Governance

### I. Level of Difficulty

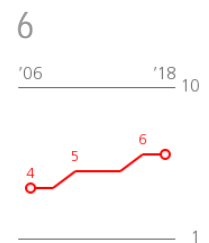
In Thailand, three deeply entrenched structural constraints have affected governance. First, there is the geographically imbalanced character of socioeconomic development, with its concentration of wealth in the capital region and general neglect of the northeastern region and parts of the north and far south. The World Bank states that in 2013, over 80% of Thailand's 7.3 million poor continue to live in rural areas. In 2016, according to the World Bank, though Bangkok possessed 17% of Thailand's population and accounted for 25.8% of the GDP, it consumed over 70% of total government expenditures. In contrast, the rural and impoverished northeast, which accounts for 34% of the population and 11.5% of GDP benefits from only about 6% of total government expenditures.

Second, there is a deep 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. While this cleavage involves not only distributional issues, the socially unjust distribution of income and wealth is definitely a major factor.

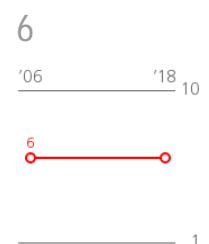
Third, there is an institutional imbalance between the state and civil society. Ambivalence and sometimes hostility toward civil society by the military, bureaucrats and the monarchy have produced significant obstacles to a deeper and more sustainable democratic transformation. Such antagonism was exemplified and enhanced by the 2014 coup, producing a military dictatorship that will continue at least until 2016.

There has long been an acrimonious relationship between civil society and the state in Thailand, especially regarding the environment, land titling and issues of democracy. Thai civil society was initially rooted in the activities of Christian missionaries, Buddhist charities and urban elites. However, modern civil society evolved from the political space that opened up in the “Hyde Park” demonstrations of the mid-1950s, as well as organized protests from 1973 to 1976 and after 1979. From 1980 to the review period, the state for the most part has allowed NGOs to evolve uninterrupted. Nevertheless, problems of interference by the military, co-optation by the state, internal malfeasance and poor leadership have continued to beset

Structural  
constraints



Civil society  
traditions

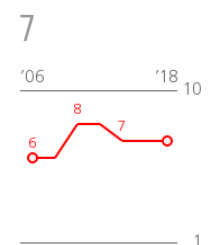


the development of Thai civil society. Today, over 18,000 NGOs are registered in Thailand, with many receiving donations from international agencies. These NGOs tend to either support or oppose the Shinawatra family, in line with the social divide over the family. From 2006 until 2014, the pro-Thaksin United Front for Democracy Against Dictatorship (UDD) Red Shirts swelled 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, sometimes using violence to further its cause, and actively backed Yingluck's government. Meanwhile, between 2006 and 2012, another group, the People's Alliance for Democracy (PAD) or "Yellow Shirts," reflected a reactionary pro-monarchists standpoint. In 2013 to 2014, the PAD morphed into the People's Democratic Reform Committee (PDRC), which, together with other groups, vehemently opposed the Yingluck government. The PDRC has been allied with reactionary royalist elements supportive of a regression of Thai democracy. 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. Any NGO members voicing opposition to the military junta could be detained or incarcerated while their organization might be dissolved. In 2016 to 2017, Red Shirts continue to exist, though many members are lying low to avoid imprisonment by the military junta. Meanwhile, new progressive anti-junta civil society groups (whose members are willing to face imprisonment) have formed, including the New Democracy Movement and Dao Din.

A promising new area for the expansion of civil society is in cyberspace where an explosive growth in associational life has been witnessed since 2010s. In particular, new political groups have formed online to carry out various online and offline activities that both support and challenge the current government. The growing ubiquity of internet access and a high adoption rate of social media among Thai internet users will likely mean a further expansion of civic life online.

In 2016 to 2017, despite a military dictatorship, Thailand continued to suffer from two principal, seemingly irreconcilable conflicts. One divide pitted those opposed to 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. Since the coup, the PDRC and UDD, along with other groups allied with each side, have remained virulently opposed to one other. However, this clash has stalled, given the military junta's application of martial law throughout Thailand. Nevertheless, a high level of conflict intensity remains between the two sides. A second 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 the area. In 2016 to 2017, despite on-again, off-again negotiations between the state and one insurgent group, violence

Conflict intensity



continued to grow in the region. Though the NCPO military junta has championed negotiations, these talks have at times appeared as a public relations ploy amid continued military action.

## II. Governance Performance

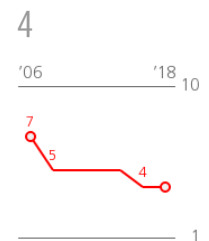
### 14 | Steering Capability

Since the May 2014 military coup, the NCPO junta has prioritized several objectives. First, in the name of security for the kingdom, it has repressed activities deemed a threat to regime security. Second, it pursued a national conciliation plan aimed at repairing the deep divisions and polarization in Thai society. The government would achieve this goal through nationalistic and patriotic programs that emphasize “Thainess,” traditional values and reverence to the monarchy. In this regard, they have succeeded in implementing steps towards their policy goal but the country is no less divided than before. Third, it has encouraged the judiciary (in particular military courts) to increase the number of lese majeste (insulting monarchy) prosecutions and convictions. Fourth, it has sought to jumpstart the economy using megaprojects and foreign investment, mostly from China. Fifth, the regime has sought to prosecute leading members of the elected Yingluck government (which it ousted), mostly on corruption charges. However, charges of corruption and cronyism have haunted the regime. Moreover, policy formulation (which has relied on a small circle of people) has not been made in a transparent manner. Sixth, the regime states that one of its leading priorities is to design a new constitution and hold elections by 2017 or 2018. However, the 2016 constitution will involve a strengthened judiciary, appointed Senate and more fragmented political party system. Seventh, the regime is overseeing a 20-year National Strategy Proposal, set to begin when Thailand’s next elected government takes office. Though the plan is still vaguely worded, the intention is to establish several junta-supported budgetary initiatives which elected governments over the next two decades must adhere to, including large allocations to the armed forces. Eighth and most importantly, upon the death of King Bhumipol Adulyadej in October 2016, the regime has prioritized maintaining stability during the royal succession, a task which might rationalize extending its rule.

The 2014 military coup facilitated policy implementation given that policy changes could easily occur under martial law, ongoing in 2017. Nevertheless, key business leaders have complained that the junta needs to establish clearer policy implementation and quicker budget disbursement to strengthen investor confidence and bolster the economy. Meanwhile, the junta has sought to improve policy implementation in the insurgency-prone deep south by merging the region’s

Question  
Score

Prioritization



Implementation

5

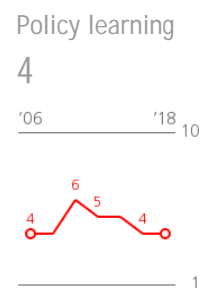
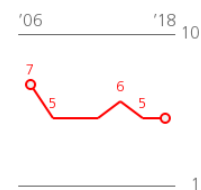
allocation of resources. Since 2016, the junta has implemented “State Populism” as an economic ideology and as an answer to “Thaksinomics.” It also implemented a new form of neoliberalism prioritizing alliances with large-scale foreign investors and the implementation of megaprojects, as well as more free-trade zones along the borders.

In accordance with the BTI framework toward democracy, Thailand as an autocracy, did not make an effort toward democratic politics. On the contrary, most of the government’s major policies aim at rolling back democratic rights. Perhaps the most successful policies implemented by current ruling junta are policies of repression to sustain the regime. As for the promised priorities of the junta to return Thailand to democracy, the continued delay in holding elections (first promised to take place in 2015 but now pushed back to 2018), has demonstrated a clear failure in implementation, though this failure may owe to the junta’s preference to remain in power longer.

Since the coup of 2014, the new military regime, headed by Gen. Prayuth Chan-ocha, has shown that it has learned from the past. It claimed to adopt Thaksin-oriented populist policies (“State Populism”). The new regime also vowed to oppose corruption, given that Yingluck’s elected government had been charged with malfeasance. Despite promises of being transparent, corruption, free and above all focused on bringing Thailand’s pandemonium back to order, junta policies have been rigidly enforced and the routines of policy-making have not enabled innovative approaches. The bounds of policy flexibility largely depend on the prime minister and high-ranking military personnel within the government, which does not facilitate inputs from a wide range of stakeholders. Thailand in 2017 continues to exist under a rigid military dictatorship. Junta leaders do not seem to realize that the character of their regime facilitates opaqueness and corruption and provides no space for innovative policy learning. Regarding the southern insurrection, the post-2014 regime has engaged in negotiations with one insurgent group. The decision to engage in peace talks derived from a learning process that 1) copied from the negotiations of the Yingluck government, and 2) decided the previous military policy of mere state repression was ineffective. Though these talks were foundering in early 2016, the junta leaders in 2017 decided to continue its policy of carrots (negotiations) mixed with sticks (repression).

## 15 | Resource Efficiency

Having come to power via a coup d’état in 2014, most cabinet and top-level appointments by the Prayuth Chan-ocha’s government were political. The people Prayuth put in power opposed the Shinawatra family and supported the pivotal role the military plays in politics. Prayuth has reshuffled the cabinet a few times since assuming office by rotating out officials opposed to his preferred reform policies. The

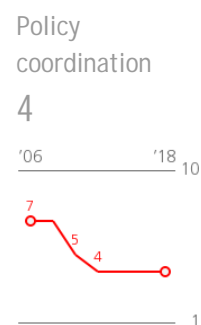
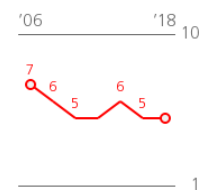


Efficient use of assets

5

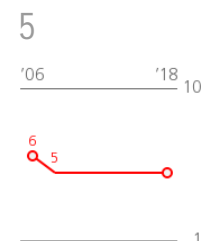
recruiting procedure of appointments remains quite opaque. In this autocratic government, the budget planning and implementation is not transparent as the government is not accountable. Since the coup, there have been problems in the quality and expense of financial, organizational and human resources. The junta has been criticized for spending beyond its means on items such as excess military hardware. In February 2017, it was revealed that the Ministry of Finance's treasury reserves had plunged from \$10.9 billion to \$2.1 billion year on year, which has raised concerns about the junta's ability to keep the economy healthy. Thai public debt appears to be officially low, at 43% of GDP. Moreover, in the post-2014-coup period, there are no audit instruments that are credible monitors of the regime's spending. Meanwhile, the recruiting procedure in Thailand's public service, especially in the military remains extremely politicized. Since 2007, the leading positions of the military have been held by a single faction. Finally, the decentralization of the administrative organization has also been rolled back. Until democracy returns to Thailand, there will likely be few, if any, reforms in the oversight of state resources.

In 2017, Thailand's military junta was seeking to establish a coherent government policy. It sought to placate the populace by improving the economy by establishing a healthy megaprojects economy that utilized massive foreign investment (mostly Chinese). As such, the regime sought to bring all parts of the government together to achieve these policy ends. Meanwhile, in the deep south, the junta has sought to bring all parts of the Thai government together in support of a coherent Thai government policy to negotiate with the insurgents, and also to produce projects (from all Thai ministries) designed to improve the situation of Malay-Muslims in Thailand's deep south. By broadcasting a "Bring Happiness Back to the People" program, the junta has sought to improve a coherent view of nationalism among the Thai people. Furthermore, the regime has sought to build enhanced popular support for the monarchy, a policy which involves prosecuting those people charged with insulting the monarchy while advertising the junta as the guardian of monarchy. Following the May 2014 coup, the junta sought to co-opt many of the Shinawatrats' populist policies into a diluted form of what the junta called "State Populism." The junta believed that its dictatorial form of rule would make it easier to coordinate policy. Nevertheless, it has not been easy to resolve the regime's conflicting objectives (e.g., by reducing state debt concurrent with Thaksin-esque populist reforms and maintaining security while promoting a return to democracy), while attempting to balance military factions, fix gaps in task assignments and complete the enormous number of tasks it has given itself (e.g., defeating the insurgency in the Deep South). In December 2016, the regime found itself with a new task – defending the accession to the throne of a new king. Indeed, the junta had to make sure that it was on good terms with the new king. Meanwhile, though the military junta has sought to establish and implement successful public policy, factionalism among the three leading army factions could produce a challenging obstacle to this goal.



Following the 2014 military coup (rationalized partly on claims that the Puea Thai government was corrupt), the junta leader announced a war on corruption. This was ironic considering that the military, according to the Political and Economic Risk Consultancy (PERC), was considered by most Thais to be the most corrupt of all national institutions, along with the police. Though the military junta has continued to prioritize anti-corruption as one of its themes, many junta appointees to the National Legislative Assembly and cabinet members have been found to be “unusually wealthy,” even though they have been life-long bureaucrats. One of the appointed National Legislative Assembly members who has been exposed to have enormous wealth is the younger brother of the junta leader, Preecha Chan-ocha. In 2016, information leaked to the media showed that the son of Preecha owned a construction business to which the Royal Thai Army awarded several concessions – though this was likely a conflict of interest. In addition, in late 2016, it was revealed that a police general had received monthly payments from a beverage company, which may have been a conflict of interest and an attempt to curry favor with the regime. No probes were ever conducted by the state for these cases. Because of the dearth of any effective and transparent anti-corruption policy (which covers senior military or military-associated figures), neither citizens nor the media have any formal access to information about activities involving corruption that might currently be taking place.

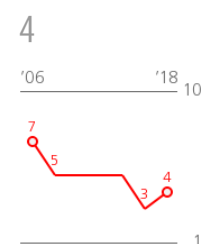
Anti-corruption  
policy



## 16 | Consensus-Building

Although relevant actors agree on the need for monarchical leadership above democracy, in late 2016 and early 2017 there continued to be enormous polarization of views on the issue of political transformation, which has been ongoing since 2005. Indeed, one of the most contentious issues leading to this decade-long political division in Thailand is about the notion of democracy itself, with some viewing it in terms of majoritarianism and others not. The 2014 military coup attempted to destroy elements supportive of Thaksin Shinawatra in Thai politics, but deep divisions remain. These divisions pertain to Thaksin’s populist policies, his supporters’ post-2008 amending of the constitution, and, following a 2008 court conviction against Thaksin, a conflict over whether he should be amnestied and allowed to participate openly again in Thai politics. A fourth issue pertains to the role of the military in Thai politics. Following the military coup of 2014, there have been many civilians who have grown wary of rule by the armed forces. The coup has pushed forward one new issue above all others, pitting an anti-Thaksin, palace-endorsed military dictatorship in opposition to a democracy in which pro-Thaksin candidates have consistently won most elections. In 2015, anti-Thaksin Thais appeared to support democracy, but only if it weakens the Shinawatras and promotes the monarchy and military. A final issue is the insurgency in the deep south between Malay-Muslim rebels and the state, which at this point appears to be interminable. Given their ability to divide relevant political

Consensus on goals



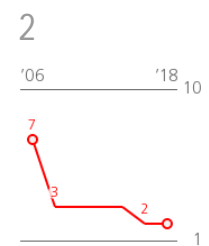
actors, these conflicts are preventing Thailand from achieving consensus on the goals of political development.

All relevant actors continue to 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. This can be seen, in late 2016 and early 2017, with regard to the military junta's implementation of a State Populism program, a diluted form of Thaksin's populism. The only conflict in this regard appears to be whether there should be more emphasis on strengthening the market economy or, as championed by the pro-Thaksin Puea Thai party, on enacting more social welfare policies. This clash continues to exist as Thais wait to see whether the military junta will keep Thaksin's populist programs intact or simply void them.

During the period 2016 to 2017 period (continuing a long historical pattern), anti-democratic actors tended to hold the most power in Thailand. These actors included the monarchy, the king's privy council, the military (and other security-related bureaucrats), key stakeholders inside the PDRC movement, private sector interests opposed to democratic reform, and Malay-Muslim insurgents in the deep south. Elected civilians have no real control over the monarchy, the Privy Council or the military. The monarchy possesses overwhelming formal and informal political power over all other political institutions. Besides cosigning acts of parliament, the king also has the right to veto laws, pardon offenders, dissolve parliament and enact emergency decrees. The king's political involvement generally takes place behind the scenes. The king's Privy Council stands as another institution outside the control of democratic forces. The council and/or its members often officiate for the monarch. Its chairperson, retired General Prem Tinsulanond, holds significant influence within the armed forces. The military's power was demonstrated in its coups of 2006 and 2014. With regard to anti-democratic private sector interests, the monarchy's Crown Property Bureau (CPB) is majority shareholder in Siam Cement, Christiani and Nielsen, Siam Commercial Bank and other companies and has not been audited. Malay-Muslim insurgents in the deep south have persistently resorted to violence in their struggle with the Thai military, which itself seems to prefer violence. Conservative reformers are moving to resurrect democracy in 2016 through the new 2016 constitution, though the monarchy, privy council and military will continue to overshadow the country.

In 2017, Thailand continues to face many political cleavages. One is a deep political cleavage based on geography and class, and a second pertains to ethnicity and religion. The first sets impoverished rural farmers and others in Thailand's populous north/northeast against 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 and against Thaksin Shinawatra, who has championed policies to help the poor. Before 2014, there were demonstrations by the mostly rural "Red Shirt" UDD against the mostly urban

Anti-democratic  
actors



Cleavage /  
conflict  
management

2

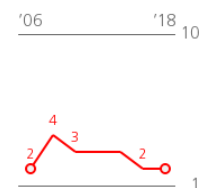


“Yellow Shirt” People’s Alliance for Democracy (which later morphed into the People’s Democratic Reform Committee (PDRC). Looking at the socioeconomic indicators of the red and yellow supporters, however, the differences in income suggest that this is an intra-middle-class conflict. In 2017, this cleavage was spotlighted by the fact that the military junta initiated a policy of “State Populism,” aimed at the pro-Thaksin rural areas of the north and northeast, providing populist measures similar to (but more dilute than) those of Thaksin. One rationale for the May 2014 military coup was to restore order following chaos caused by six months of pandemonium stemming from the country’s political cleavage. However, the coup leaders themselves have exhibited a disdain for Thaksin, Yingluck and the Puea Thai party. Ultimately, there remains little, if any, reconciliation between those for and against Thaksin. 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. In 2015 to 2016, the military junta continued negotiations initiated by the Yingluck government in 2013. But in mid-2016, the junta appears to be abandoning negotiations while giving more priority to a military solution to the insurgency. As a result, cleavages causing violence in the deep south remain very much alive.

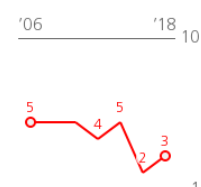
Since the 2014 coup, civil society voices have been forcibly restrained. Members of civil society supportive of the junta have been appointed by it to positions in the regime. The junta has allowed some mildly critical input from civil society. For example, Thai Lawyers for Human Rights was permitted to publicly, though gently, suggest an end to martial law, though such recommendations have been ignored. However, in February 2015 one lawyer promoting greater human rights was arrested following civil society participation and anti-coup activities. Overall, civil society participation under the junta is extremely limited. In 2017, civil society continues to have no formal voice in political decision-making as the NCPO junta continues to dominate the country.

Civil society actors that matter to the government are those that supported the military intervention or those who have benefited from this administration.

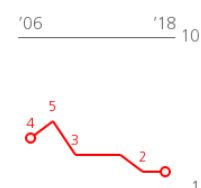
In 2016 to 2017, Thailand’s ruling military regime is confronted with several challenges related to political reconciliation. The state has used force against the rebels of the far south’s Malay-Muslim insurgency, but has also sought to negotiate with the insurgents and improve the lives in general of Malay-Muslims in the region. The state has meanwhile tended to repress ethnic minorities in the north, viewing them as associated with narcotics smuggling. In terms of historical ethnic, religious and class injustices, Thailand’s political leadership has used an ideology constructed around its monarch to shape loyalty to the state. In elite politics, divisions still exist over former Prime Minister Thaksin Shinawatra. The pro-Thaksin Puea Thai party and the United Front for Democracy Against Dictatorship (UDD) want to return Thaksin to power and bring back the 1997 constitution. The Democrat Party and the



Civil society participation  
3



Reconciliation  
2

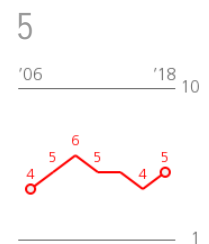


anti-Thaksin People’s Democratic Reform Committee (PDRC) are vehemently opposed to Thaksin. The May 2014 military coup forced the Puea Thai government from office; the subsequent introduction of martial law squelched demonstrations of five or more individuals. In general, the putsch represented reconciliation through repression. The regime has sought to reconcile Thais around the advertised concept of “Returning Happiness to the People,” as well as 12 core values which focus upon respecting nation, king, religion, family, Thai nationalism and a “correct understanding of democracy.” Yet this military-imposed reconciliation has merely postponed Thailand’s need for reconciliation over the Shinawatras divide. Moreover, shortly after the 2014 coup, there was an attempt by the NCPO to remove the name of Thaksin from Thai history textbooks. In late 2016, the NCPO initiated a campaign to unite Thais around the new monarch (the son of King Bhumipol Adulyadej) King Maha Vajiralongkorn.

## 17 | International Cooperation

In Thailand, both elected and non-elected regimes have used international assistance to enhance development and political agendas. In 2016, Japan and China have led foreign assistance to Thailand. Japan is the leading investor in Thailand and is also financing a high-speed train from northern Thailand to Bangkok at the cost of \$14.8 billion. Meanwhile, China is financing a \$4.9 billion high-speed train project from northeast Thailand to Bangkok and eastern Rayong province. Thailand will bear the full costs of construction for this latter project, while China will provide funding for technical matters. Moreover, in 2016 to 2017, the Asian Development Bank enacted several projects, including those to strengthen financial transparency in specific financial institutions, advance national financial literacy, and implement flood management and pilot public-private cooperation in the social sectors. Over the last few years, Thailand has also received financial support from the World Bank for a variety of projects. However, the 2014 coup has slowed aid delivery to Thailand given that most countries are waiting for Thailand to return to democracy. Nevertheless, both the 12th National Economic and Social Development Plan, 2017-2021, and the 20 Year National Strategy, set to commence in 2018, look to involve foreign cooperation in integrating various projects together in order to improve Thai development goals. Finally, in Thailand’s deep south, the military junta has continued negotiations with an umbrella insurgent group, with help from the Malaysian government. Thailand also permitted the United States Agency for International Development (USAID) to operate a pro-peace program through civic education and the media. Finally, regarding Thai-Cambodian relations, Thailand’s military junta has continued to uphold agreements made between the two countries before the coup.

Effective use of support



In the review period, Thailand has had four major problems with credibility. The first problem relates to the military junta currently administering Thailand. At first, many urban Thais accepted the junta since its presence ended the political turbulence of 2013 to 2014. Since then, and given that Thailand in 2017 remains one of the world's few direct military dictatorships, Thais may potentially become resistant to it. This possibility has upset potential foreign investors who do not want any problems with risk. Resistance to the junta by some civil society groups has only increased the risk. Second, since the 2014 coup, there has been diminished accountability and transparency in state policies. The junta allows no independent monitoring agency to oversee its decisions. Given the opaqueness of state policy, the credibility of junta policies is increasingly in doubt, a potential problem for foreign investors. A third problem is a Malay-Muslim insurgency in the deep south of Thailand, exacerbated since 2004 and still unresolved in 2017. A fourth problem with credibility (and perceived policy continuity) has been the October 2016 death of Thailand's King Bhumipol Adulyadej. It remains to be seen how many years it will take before the new king can rule as head of state with no problems regarding uncertainty.

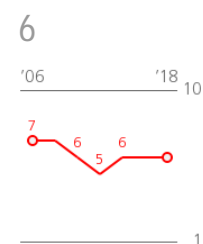
Overall, Thailand has long been perceived as lacking credibility due to its huge shadow economy. Yet since the 2014 military coup, the junta has sought to improve the country's credibility. In late 2015, Anti-Money Laundering Office (AMLO) Act No. 5 became law. In addition to adding offenses related to human trafficking and online gambling to the list of predicate offenses, this act widened AMLO's responsibilities to include money laundering/financial transactions, national risk assessments, as well as the ability to share risk assessment results with supervisory and other relevant agencies.

Despite credibility deficiencies, for the most part, the Thai state has sought to act as a credible and reliable partner, cooperating with most international organizations (e.g., the United Nations) and countries (e.g., the United States) to show that it is a trustworthy member of the international community.

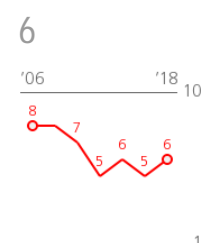
A third conflict centers upon Thai-Cambodian border relations, especially regarding the issue of which country owns territory abutting an ancient temple straddling the two countries' boundary. In November 2013, the International Court of Justice gave a split decision, which helped both sides claim victory in different areas. Under the NCPO junta, Thailand has moved to improve relations with Cambodia.

Thailand is a member of several regional organizations, including the Association of Southeast Asian Nations (ASEAN), Asia-Pacific Economic Cooperation (APEC), the Asia-Europe Meeting (ASEM), ARF (ASEAN Regional Forum), the Greater Mekong Subregion (GMS), the Bay of Bengal Initiative for Multisectoral Technical and Economic Cooperation (BIMSTEC), the Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy (ACMECS) and the Regional Comprehensive Economic Partnership (RCEP).

Credibility



Regional cooperation



Though there were periodic clashes along the border between Thailand and Cambodia between 2008 and 2015, since 2016, agreements between the two countries have greatly improved relations. However, bilateral trade between the two countries diminished 15% in 2016. Nevertheless, Thailand and Cambodia aimed to establish \$15 billion per year trade by 2020. Meanwhile, Thai-Myanmar trade in 2017 was set to double on an annual basis to \$20 billion, while Thai-Lao trade in 2017-2018 was aiming to hit \$8 billion. Since the 2014 coup, trade with the United States and the European Union has diminished. Japan and China were the top economic partners with Thailand in 2017. In 2016-2017, China remains Thailand's chief trading partner, though Japan is the principal investor in Thailand. ACMECS is Thailand's economic strategy to build projects in its neighboring countries.

As part of ACMECS, Thailand appeared set to finish constructing a railway line linking Bangkok to Phnom Penh in 2017. In 2016-2017, Thailand's junta leader has continued traveling widely, seeking legitimacy for the Thai military regime, and recognition, and voicing support for regional integration. Nevertheless, four years after the 2014 coup, the regime continues to be criticized for human rights violations by many international organizations and countries, including the Asian Human Rights Commission, U.N. Human Rights Council, Human Rights Watch, Amnesty International, the United States, Canada, the European Union and Australia. In 2017, Thailand was still very interested in a multi-billion dollar economic zone in Myanmar's deep-sea port of Dawei (in a project with Japan). However, Thai negotiations with Myanmar have been slow, and Japan's financial interests in the port are uncertain. In 2017, given that incoming U.S. President Donald Trump appears inclined to turn away from the Trans-Pacific Partnership, Thailand may increasingly embrace China's Regional Comprehensive Economic Partnership.

Within ASEAN, relations between Thailand's military-backed government and neighboring states have largely remained the same for most but with a marked improvement with Myanmar and Cambodia.

## Strategic Outlook

During the period from 2015 to 2017, Thailand became increasingly entrenched under military dictatorship while a monarchical succession simultaneously took place. During this period, the junta has used several strategies to maintain power, including detention of Thais deemed to be in need of “attitude adjustment” (some of whom have experienced torture), an increased use of lese majeste (insulting the king) laws, the enforcement of laws that ban public assembly, the enactment of laws that allow for severe penalties for criticism of the military on social media and the regular use of propaganda across the media to maintain some level of social support for the regime. The junta practices tighter economic monetarism and heavier controls such as having the military oversee the police.

A deep chasm remains across Thai politics, with certain provincial businesspeople, politicians and lower classes on one side versus staunch supporters of the status quo, including the monarchy, established elites, urban middle classes and the military. Elections and a return to limited civilian control will likely occur in mid-2018. The new draft constitution is meant to weaken political parties and establish military and monarchical control over the executive and legislature while further strengthening the judiciary.

In the long run, for Thailand to establish more permanent political stability there will have to be a stable monarchical succession followed by some sort of more permanent accommodation between the two opposing political camps. This will require compromise, though it will be dominated by the elites. The old order must accept the Shinawatra family, pro-poor policies and civilian control over the military. Meanwhile, the Shinawatras must accommodate the traditional elites opposed to them. In addition, the Shinawatra family must avoid proposing policies that could create corruption terrain for politicians. As of 2015, Thais need more civic education based on active participation in democracy and civilian control over the military. In 2015, the military regime must continue efforts toward stabilizing the baht and guaranteeing greater market stability while also ensuring that pro-poor welfare policies are enacted and effectively implemented. At the same time, the state must maintain its commitment to banking regulations, thus strengthening the banking system in Thailand. Continuing after-effects of the 2014 political turmoil and a slow return to economic growth could stymie Thailand’s banking system and capital markets, although GDP growth in both 2015 and 2016 and a projected growth in 2017 have remained cause for optimism. Economic and social development must remain robust and sustainable.

The military regime’s costly mega-infrastructure projects could increase public debt and may be prone to corruption. Meanwhile, the Malay-Muslim insurgency continues unabated. The Yingluck government’s initiation of negotiations with insurgents in 2013 withered away in 2014. The junta has followed a policy of supporting negotiations, but these talks need to become the centerpiece of the junta’s policy in the deep south. Any solution to the insurrection necessitates that the Thai state stop using repression and resume negotiations with insurgent groups, while simultaneously granting the three southern provinces greater autonomy and offering southern Malay-Muslim people more programs for economic and social development.

Since December 2016, Thailand has a new king. Perhaps he will encourage the junta and military to give up power and support greater democratization in Thailand.