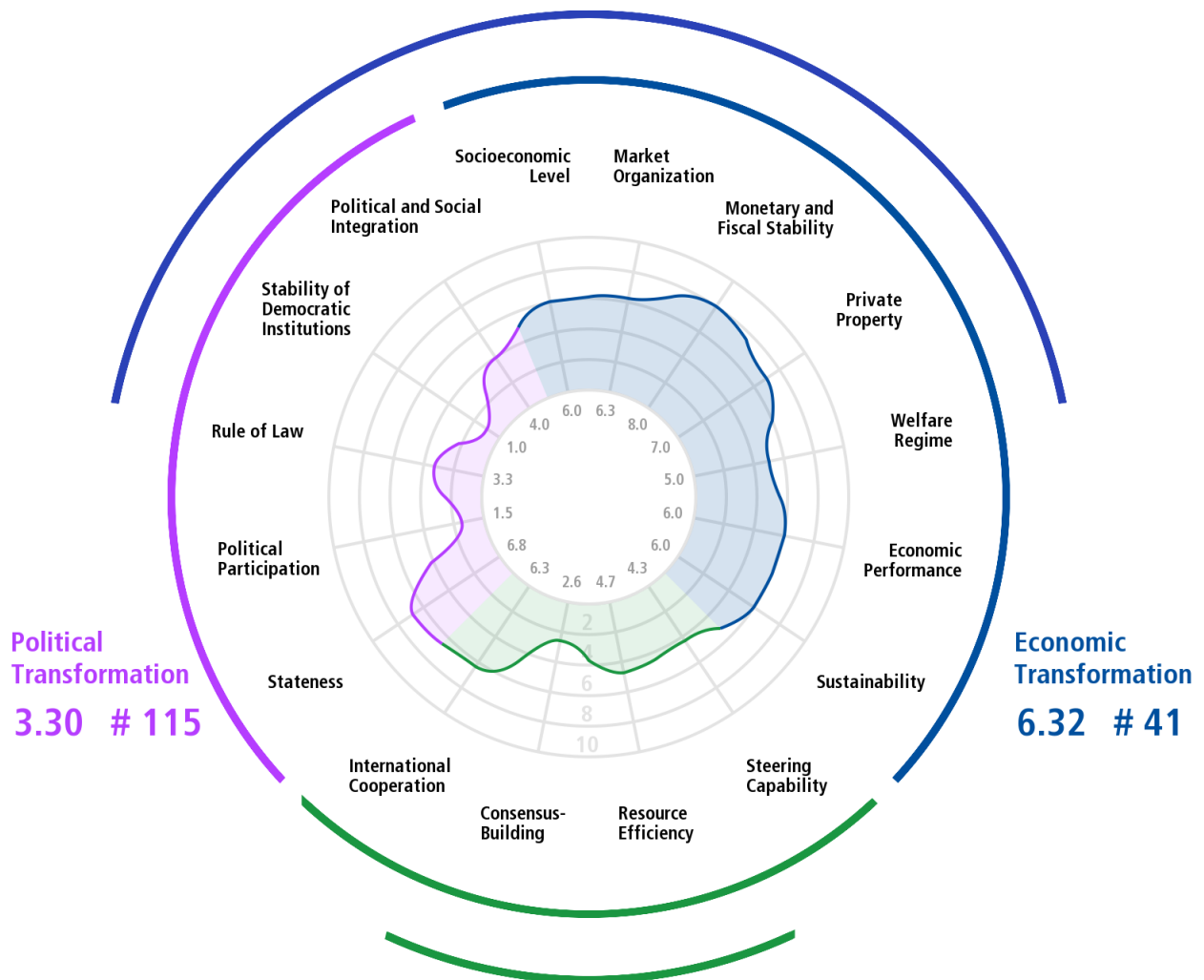


Thailand

Status Index

4.81 # 91

on 1-10 scale out of 137



Political Transformation
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Governance Index

4.04 # 96

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2020**. It covers the period from February 1, 2017 to January 31, 2019. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

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Key Indicators

Population	M	69.4	HDI	0.765	GDP p.c., PPP \$	19018
Pop. growth ¹	% p.a.	0.3	HDI rank of 189	77	Gini Index	36.5
Life expectancy	years	76.7	UN Education Index	0.665	Poverty ³	% 0.5
Urban population	%	49.9	Gender inequality ²	0.377	Aid per capita \$	3.6

Sources (as of December 2019): The World Bank, World Development Indicators 2019 | UNDP, Human Development Report 2019. 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, the junta-led National Council for Peace and Order (NCPO), governing Thailand. Junta leader General Prayuth Chan-o-cha served as prime minister. The junta's absolute rule has since been enshrined in law under two constitutions (2014 and 2017), and the NCPO has muzzled political rights and civil liberties, which previously existed during the country's democratic period prior to the 2014 military coup d'état. Opposition groups (e.g., the New Democracy Movement) have been crushed and its members imprisoned or intimidated.

In December 2016, Bhumibol's son Maha Vajiralongkorn officially became Thailand's new king. Though many had earlier assumed that he would leave most of his duties up to the military, he has shown a tendency to enhance the palace's direct control over the military, certain civilian parts of the executive branch, the Crown Property Bureau and Buddhist monks. His official coronation took place in May 2019.

In April 2017, following a drawn-out procedure led by junta-created institutional bodies, Thailand's new king, Maha Vajiralongkorn, endorsed Thailand's 20th constitution. The new constitution is 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 non-elected individuals (i.e., military) to be appointed prime minister. All future elected governments must follow a junta-created 20-year national strategy. Failure to follow this plan could lead to the impeachment of elected governments. Ultimately, the new constitution establishes electoral authoritarianism over which the monarchy and military prevail. In December 2018, the junta waived certain restrictions on parties such that the parties could commence campaigning for the general election on March 24, 2019.

By 2017, the economy was increasingly stagnant, having initially shrunk following the 2014 coup, with GDP declining and lower than expected levels of tourism. The recent decline in economic

growth is partly a result of the slowing global economy, an unexpected drop in Chinese tourism, a reduction in the government's ability to manage the economy and a fallout from the current U.S.-China trade war. Having previously condemned the populist policies of deposed Prime Minister Yingluck Shinawatra as unsustainable and corrupt, by 2017, junta leaders had moved to adopt many aspects of these same policies. At the same time, in 2017, Yingluck was convicted in absentia for dereliction of duty related to her government's populist rice-pledging policy.

In the Deep South region, where the junta has engaged in counter-insurgency against a Malay-Muslim insurrection, junta leaders have used a combination of increased repression and negotiations. However, this strategy has so far failed to reduce insurgent attacks in the region.

History and Characteristics of Transformation

Thailand's history has been dominated by strong, autocratic control over politics, the economy and society. The country has experienced 13 overt military coups d'état but has never sustained democracy. Thailand was an absolute monarchy until 1932. Following a coup that year, the military became the dominant actor. In 1957, after yet another coup, a new alliance between the monarchy and a particular military clique took over Thailand. In 1980, the monarchy became the dominant partner as then-military Prime Minister Prem Tinsulanonda depended on the king to remain in power. Elected civilians could never challenge the monarchy and military, as democracy was only superficially rooted and fleeting, having only existed in 1946 to 1947, 1975 to 1976 and 1988 to 1991. In 1992, the increasingly tainted image of the military and a global move toward political space brought to office a guided democracy under the king and his Privy Council. The period saw the 1997 enactment of a more progressive constitution.

Economically, in the late 1980s, businesspeople increasingly replaced bureaucrats as the drivers of Thai economic policy, while state-led economic growth was rejected in favor of private sector-led, export-oriented industrialization based on cheap labor, lax investment laws and tourism. In 1997, a financial crisis sapped the Thai economy, contributing to the 2001 landslide election of populist Prime Minister Thaksin Shinawatra. Re-elected in 2005, Thaksin Shinawatra implemented welfare policies and gained a large, loyal voter base. But Thaksin also incurred the distrust of aristocrats and senior military officials, who feared that he might challenge their palace-centered power base. Amid largely urban protests against him, the military ousted Thaksin in 2006. The junta forced Thaksin into exile, enacting a new constitution that weakened the power of elected prime ministers and political parties. Nevertheless, a new pro-Thaksin party won the December 2007 election, taking office in early 2008. By December 2008, the anti-Thaksin judiciary succeeded in dissolving the ruling party for violating the constitution. Thereupon, senior officers in the armed forces together with representatives from the king's Privy Council helped cobble together an anti-Thaksin coalition government. The new Democrat Party-led government acquiesced to and was closely backed by the military leadership. The army violently suppressed pro-Thaksin ("Red Shirts") protests against the Democrat Party-dominated government in 2009 and 2010. However, a new pro-Thaksin political party, Puea Thai, led by Thaksin's sister

Yingluck, won a landslide victory in elections in 2011. She immediately implemented a new round of populist reforms. Yet her attempt to change the constitution and pass an amnesty bill for Thaksin energized new anti-Thaksin urban protests in 2013. Though the Red Shirts supported Yingluck, protests against her persisted. The judiciary forced Yingluck from office in early May 2014, but on May 22, 2014, the military ousted the government in a coup. Since 2014, the military-led National Council for Peace and Order (NCPO) has maintained authoritarian rule over Thailand, jailing dissenters, breaking up academic meetings, censoring telecommunications and forcing many Thais into exile. To shore up a declining economy, it has relied on foreign tourism while enacting a neoliberal agenda of mega-projects, Special Economic Zones and greater extraction of natural resources. The NCPO has attempted to weaken Thaksin's welfare agenda though it has copied parts of his populist policies. In 2016, the junta oversaw the succession from King Bhumibol Adulyadej to his son King Maha Vajiralongkorn and in 2017 the implementation of Thailand's 20th constitution.

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

To maintain power, the National Council for Peace and Order (NCPO) junta possesses a near monopoly on the use of force, utilizing the following tactics. First, it has created a Peace Maintaining Force. By late 2018, over 1,800 people had been arrested. Second, military courts now have jurisdiction over civilians. In these courts, defendants have fewer rights compared to other courts. The courts are responsible for Thailand's lèse-majesté (insults against monarchy) law. Since the 2014 coup, prosecutions for lèse-majesté have vastly grown. The vagueness of the law has facilitated abuse, with regime opponents often charged with opposing monarchy. Third, the junta has discontinued democracy, terminating elections at the national and local levels. Fourth, media censorship has dramatically expanded. Fifth, assemblages of over three persons are forbidden. Sixth, in southern Thailand, where there is a Malay-Muslim insurgency, the military in 2014 forcibly usurped authority over the Southern Border Provinces Administration Centre (SBPAC), controlled by elected civilian governments since 2011. The 2014 military charter's section 44 legitimizes any action by the junta leader. The only rival to the state's monopoly on the use of force is Malay-Muslim insurgents, with the insurrection costing Thailand \$8 billion since 2004. The state has been unable to quell the insurrection. Insurgent guerrilla attacks continue on a weekly basis, successfully challenging the state's monopoly on the use of force.

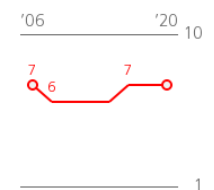
Although Thailand is a multiethnic country, the country's elites have attempted to construct an identity of "Thainess" to dominate all ethnic groups. The result has been forceful assimilation and integration. Some groups are denied full citizenship rights while others refuse to accept assimilation. The biggest challenge comes from Malay-Muslim insurgents in Thailand's Deep South.

Ethnic minorities in Thailand (e.g., "hill tribe" people, migrant workers and refugees from neighboring countries) face discrimination and difficulties obtaining citizenship. They are often not allowed to vote, go to school or access public health

Question
Score

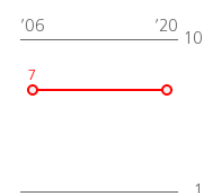
Monopoly on the
use of force

7



State identity

7



care. The Nationality Act (2008) grants total authority to the state to revoke citizenship from naturalized citizens. The process of naturalization has improved over the years, but ethnic minorities continue to be vulnerable to human trafficking. Attempts by the Thai state to “Thai-ify” the Deep South, where Malay-Muslims dominate the population, have ranged from violent repression to the imposition of Thai culture and education. Since 2004, when the insurgency intensified, approximately 7,000 people have been killed and over 12,000 people have been wounded. Though Thailand’s government and insurgent representatives embarked on negotiations, these stalled in 2018.

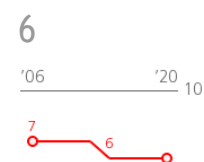
The current 2017 constitution mandates freedom of religion while banning discrimination based on religion. However, informally, Buddhism pervades Thailand as the dominant religion. The Thai king can only be Buddhist and the state permits only Buddhist national holidays, subsidizes only Buddhist institutions and has banned the insulting of Buddhism. Meanwhile, the government limits the number of foreign missionaries allowed into Thailand. While different religions are observed in Thailand, all religious organizations must be officially registered.

State authorities allied with Buddhist groups have been accused of intimidating variants of traditional Buddhism (e.g., Dhammakaya) and coercing Malay-Muslims (and their Pondok schools) in the Deep South. Nevertheless, the Thai state continues to encourage interfaith dialogs. The teaching of Buddhism in public schools is widespread across the country but not for other religions

While administrative state structures provide most basic public services across the country (e.g., sanitation), their operation is generally more efficient in urban rather than rural areas primarily because cities, with more resources than rural areas, have received more state attention and resources. Thailand’s bureaucracy is highly centralized, but corruption and lethargy have been endemic among bureaucrats. Though the election of village headmen has existed in practice for over a hundred years, decentralization intensified in 1994 and a system of decentralized administration at local levels began to be implemented after the introduction of the 1999 Decentralization Act.

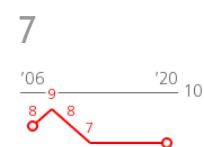
Following the 2014 military coup, the ruling junta issued a directive replacing the decentralized administrative system with appointed officials. As of the end of January 2019, there were no planned elections at the local level.

No interference of religious dogmas



1

Basic administration



1

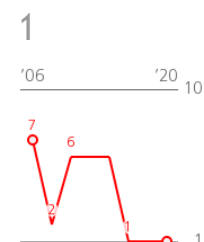
2 | Political Participation

Since the 2014 military coup, Thais have not enjoyed any political participation. Under the 2017 constitution, the new electoral formula makes it very difficult for any party to win a clear majority. The new Senate is indirectly appointed by the military junta and can participate in the selection of a prime minister. Following an election, the 250 junta-chosen senators can vote with the 500 parliamentarians to select a prime minister, increasing the chances that the junta's preferred candidate will win. The new election commissioners are chosen by the junta. General multiparty elections were finally held on March 24, 2019 (after the period under review), but there were several irregularities and the playing field was not level.

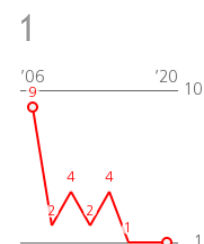
As of early 2019, Thailand remained under the autocratic control of the NCPO military junta, which was only subservient to a near-absolutist monarchy. The king's Privy Council was also a significant veto actor. The NCPO is dominated by the army. The head of the NCPO has total authority to issue any decree with legal impunity. The NCPO also set up an appointed cabinet and National Legislature, mostly composed of military officers. The 2017 junta-endorsed constitution allows for a non-elected prime minister and a junta-appointed Senate, which guarantees the military sustainable power. Thus, the 2019 election occurred in a pseudo-democratic setting, hindering the effective power to govern.

The regime has treated political and civil society groups very unevenly depending on whether they are perceived as threatening to the junta. The 2014 military coup involved immediate arbitrary arrests of people suspected of opposing the junta. The NCPO banned groups of five or more people from demonstrating. The Martial Law Act of 1914 (implemented until 2015) gave the military total power over civilians, while Section 44 of the 2014 military-created constitution (implemented in 2015) allowed the head of the NCPO to "issue any order or direct any action." A chief rationale for Section 44 was to muzzle association and assembly rights. The junta also increasingly enforced Section 112 of Thailand's criminal code (*lèse-majesté*), used by the junta to intimidate and jail political opponents. By 2018, approximately 1,800 people had been detained. At times, security forces have used excessive force to dislodge peaceful protesters belonging to groups such as the New Democracy Movement and Dao Din. The NCPO has forcibly canceled a majority of academic conferences perceived as subversive. The junta has also crushed demonstrations by farmers seeking more land rights, Thai Malay-Muslims, northern ethnic minorities and refugees.

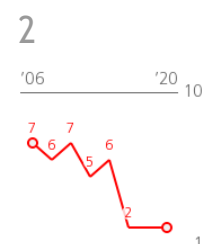
Free and fair elections



Effective power to govern



Association / assembly rights



Since the 2014 coup, the NCPO junta has used martial law to repress freedom of expression. This has been buttressed by Section 112 of Thailand’s Criminal Code (lèse-majesté). The NCPO has vigorously pursued lèse-majesté cases, with the number hovering around 200 in 2018. Nevertheless, the number of lèse-majesté cases did not grow in 2018.

In December 2016, the National Legislative Assembly (NLA) passed a revised Computer Crimes Act, which was more vaguely worded than a 2007 version. The law mandates a five-year sentence for violating the law. The junta ordered internet service providers to censor any information deemed provocative or defamatory to the ruling junta. As a result, at least 100 websites were blocked. The Computer Crimes Act has helped promote self-censorship on the internet for fear of state retribution. The junta has closed or censored scores of radio stations and several television networks, and pressured media outlets to dismiss anti-NCPO journalists. At the same time, the junta has banned or censored an alarming number of books, movies and art exhibits, which it considers subversive.

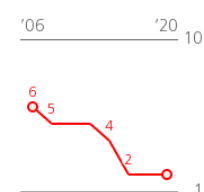
3 | Rule of Law

Presently, the only separation of powers that exists is a superficial charade separation. There is a prime minister-led cabinet, a National Legislative Assembly (NLA) and a judicial branch. However, the NCPO junta appoints members of the NLA and indirectly selects the judges for all of Thailand’s courts. The junta dominates political power through its control over the military and legally through the draconian Section 44 law of the 2014 constitution. The junta only answers to the monarch, his Privy Council or its own interests. Even though the 2017 constitution stipulates that there should be a separation of powers between the three branches of government, including an elected House of Representatives, it is widely assumed that the military – which, in turn, is held accountable by the monarchy – will persist in exerting power over the system.

Thailand’s 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. Thailand’s monarchy cannot be adjudged by courts. Since 1997, there have also been several “independent” monitoring organizations. Nevertheless, the judicial branch and independent agencies have been extremely politicized and perceived as tools of arch-royalists. Following the 2014 military coup, military courts became the highest courts in the land. These military courts, supported by other courts, issued decisions predominantly against political forces aligned with Thaksin, Thais who opposed post-2014 military rule and Thais accused of lèse-majesté. Since the 2014 coup, military courts have indicted civilians in over 1,723 cases and at least 281 cases are pending. Military courts prohibit observers from recording court proceedings. Military courts generally do not allow publication of witness testimonies and court dockets, especially in lèse-majesté cases.

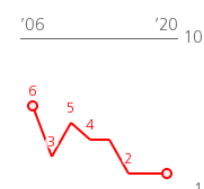
Freedom of expression

2



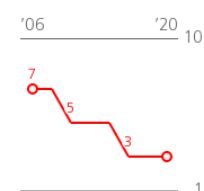
Separation of powers

2



Independent judiciary

3



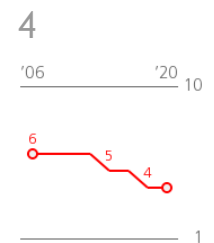
In Thailand, the prosecution of public officeholders who break the law and abuse their positions has always been political. Since the 2006 – 2008 military regime, all cases of malfeasance against Thaksin and his allies have been successful. In May 2014, the Constitutional Court ruled that Yingluck had abused her office by wrongly transferring a bureaucrat to another job in 2011 and she was forced to resign. A principal reason for the 2014 military coup was to stop the corruption of the then-ruling pro-Thaksin Puea Thai government. The post-2014 junta claims to be fairly bringing to trial any officials accused of corruption. Yet its anti-corruption efforts target the political camp of former Prime Minister Thaksin. Many military officers of the junta-appointed National Legislative Assembly are unusually wealthy, but no courts have dared to probe this issue. In 2017 and 2018, though NCPO vice-chief Prawit Wongsuwan was found to own at least 25 luxury watches (which he never declared), the National Anti-Corruption Commission (whose president was appointed by Prawit) never filed any charges against him. On the other hand, in August 2017, the Supreme Court found ex-Prime Minister Yingluck Shinawatra guilty of negligence in a failed rice-pledging scheme, sentencing her in absentia to five years in prison.

The 2014 military-imposed constitution gives immunity to the junta leaders' actions, including for violations of civil and human rights. Martial law permitted military authorities to specifically violate civil rights through 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 that 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 1,800 Thais have been detained by the junta. Within military detention camps, there have been allegations of torture; warrantless arrests on ambiguous grounds; and forced, temporary disappearances. Detainees undergoing "attitude adjustment" must agree in writing that they will not leave Thailand without the military's permission or participate in any political activities.

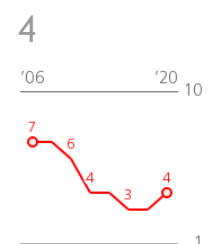
Some Thai businesses use the criminal defamation law to intimidate workers who dare to reveal human rights abuses in the workplace. In 2017, the Thammakaset company brought criminal defamation charges against workers who reported labor rights violations to Thai authorities. Human rights violations have also continued in Thailand's Deep South, where a bitter Malay-Muslim insurgency has been ongoing since 2004. There have been multiple allegations of torture and enforced disappearances by the military in the region.

Section 112 of the criminal code covers insults to the royal family (*lèse-majesté*). Its active enforcement by the state has violated civil liberties with a single violation leading to up to 15 years in jail. In 2019, around 200 cases were being processed and approximately 43 people were in prison for *lèse-majesté*. Finally, internet rights have also been suppressed with the implementation of the 2007 Computer Crime-Related Act and its 2016 amendment.

Prosecution of office abuse



Civil rights



4 | Stability of Democratic Institutions

During the review period, Thailand had been under monarch-endorsed military dictatorship and there were no national or subnational democratic or democratically legitimated institutions.

Supporters of the 2014 coup would contend that the putsch was necessary to resuscitate a “true democracy” – where 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, the 2014 coup terminated the institutions of democracy. In early 2019, groups that had long opposed the military junta (e.g., the pro-Thaksin Puea Thai party) as well as elements that supported the NCPO pressured the regime to hold elections and return the army to barracks. At the same time, there are a growing number of anti-junta groups. A new political party, Future Forward, is anti-junta and independent of Thaksin. Thais remain politically divided: the rural majority favors immediate elections, while the urban minority supports military rule or an unelected prime minister to govern through an elected parliament.

5 | Political and Social Integration

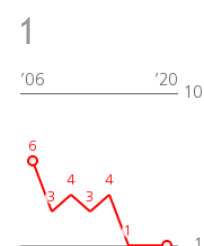
Traditionally, Thailand’s party system has been under-institutionalized, unstable, highly fragmented, polarized and factionalized. Parties tend to be driven by elites with shallow roots in society. Rank-and-file members have little influence over party decisions; party switching is rife and party operations 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. In December 2018, the junta allowed parties to begin to campaign as the March 24, 2019 election approached. The elections involved competition among the pro-Thaksin Puea Thai and its allied parties on one side, and the military-created Palang Pracharat and its allies on the other. There are three parties in between these two groups: Future Forward, the Democrats and Bhumjaithai. Under Thailand’s new NCPO-endorsed electoral formula, it will be difficult for any single party to gain a majority of seats in the Lower House. Such a formula is specifically meant to weaken Puea Thai.

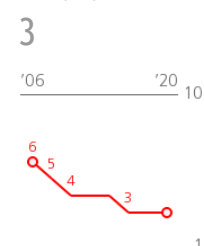
Performance of democratic institutions



Commitment to democratic institutions



Party system



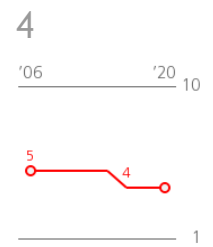
Depending on the sector, the strength of societal organizations and interest groups has varied.

Before the 2014 coup d'état, politically based social movements (specifically the pro-Thaksin UDD and anti-Thaksin PDRC) acrimoniously opposed each other. Business associations, especially the Thai Chamber of Commerce (TCC) and Federation of Thai Industries, have been efficient in influencing state policy. Labor unions have tended to be unsuccessful. The alliance of groups, which pushed the Puea Thai-led elected government out of power in 2014, included not only the military and palace, but also societal groups such as the People's Democratic Reform Committee (PDRC), the Multi-colored Shirts group, the Democrat party, some NGOs, the Association of University Presidents of Thailand and business elites. Following the 2014 coup, the NCPO junta refused to allow members of the United Front for Democracy Against Dictatorship (UDD), PDRC or labor unions to engage in political activities. Some UDD and labor union members were detained. Most Thai business associations reacted calmly to the coup. In 2018, with military rule and a worsening economy, most of these groups pressed the junta for elections.

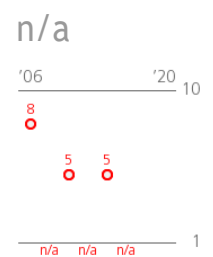
From 2014 to 2017, there had been a number of unreliable polls that showed strong support for the continued existence of the military junta and high levels of satisfaction with the junta. The junta also claimed popular legitimacy in 2016 because of the apparent success of a referendum on the military-supported constitution. However, that referendum was marred by the fact that opponents of the constitution were not allowed to express themselves. In 2018, polls indicated that most people's first choice as the next elected prime minister would be a Puea Thai candidate (i.e., a candidate for the party ousted by the military). In late 2018, several pro-democracy groups increased their activity, such as the New Democracy Movement. Meanwhile, political parties pressured the NCPO to hold elections and return Thailand to democracy in March 2019.

In Thailand, the family and clan are at the heart of social behavior and collective action. Dense social networks have brought forth business associations, unions and NGOs. There has been a decline in the freedom to associate as well as enhanced state monitoring of community groups since the 2014 coup. Nevertheless, Thailand's government has worked to spark greater social capital-based relationships. This is especially true given that social capital has sometimes filled the gap left by weak public sector accountability. Consecutive national economic and social development plans (including the current one) have sought to harness social capital as a means of bolstering development. The Thai Social Enterprise Office (TSEO) was created in 2010 to provide backing for social enterprises. Since 2014, there have been around 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.

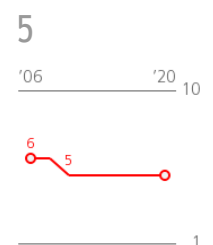
Interest groups



Approval of democracy



Social capital



Nevertheless, promoting social enterprises is part of the NCPO's ambiguous 20-year national strategy. In 2018, the junta created a revolving fund for promoting social enterprises. The fund would be financed in part by the profits generated by social enterprises themselves. Individuals investing in the equities of social enterprises could receive a tax deduction for the invested amounts. However, as the junta remains in power and the economic performance deteriorates, public trust in the state continues to diminish while political divisions among citizens persist.

II. Economic Transformation

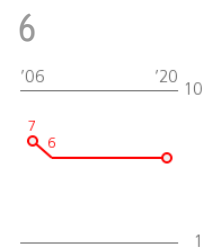
6 | Level of Socioeconomic Development

Since 2007, Thailand's socioeconomic development has continuously improved, as indicated by the UNDP's Human Development Index (HDI). In 2017, the country received an HDI value of 0.755 (improving each year since 2007) and an HDI ranking of 83 out of 189 countries. Meanwhile, the country's GDP per capita (purchasing power parity) was \$17,871 in 2017, which has grown each year since 2009. Meanwhile, approximately 93% of the population has access to improved sanitation facilities and 98% have access to improved water sources (World Bank).

Regarding the Gender Inequality Index (GII), Thailand moved from 0.378 (2016) to 0.393 (2017), placing it in the class of high human development countries (UNDP). Nevertheless, with a GII ranking of 93 out of 189 countries, gender inequality continues to rank low. At 45.7% in 2017, women comprise less than half of Thailand's formal labor force. Meanwhile, income inequality has intensified. According to the Swiss Bank Credit Suisse, in 2018, Thailand became the most unequal country in the world, with the richest 1% of Thais owning 66.9% of the country's wealth. The World Bank's Gini Index for Thailand grew to 39.3 in 2012 but has since continuously diminished, hitting 36.0 in 2015. In 2017, the overall loss in HDI due to inequality stood at 15.7, a figure that has incrementally diminished since 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 World Bank, poverty in Thailand has persisted, with 0.5% of Thais continuing to live on less than \$3.20 per day, while, according to the Asian Development Bank, 8.6% of Thais live below the national poverty line. In 2019, despite a general worsening of the economy, the poverty rate has diminished. According to the World Bank, the poverty rate, in 2015, lessened to 7.1%, from over 20% in 2006. With the country's population continuing to grow (reaching 69 million

Question
Score

Socioeconomic
barriers



people in 2017), continuing socioeconomic challenges have been most acute among Malay-Muslims in the Deep South (where insurgency has hindered development attempts), northern ethnic tribal groups (many of whom lack citizenship), as well as in the country's populous northeast (where 66% of impoverished Thais live). Since the 2014 coup, the junta has introduced the Pracha Rat welfare program, a diluted copy of an earlier program introduced by Thaksin in 2001. The program includes welfare cards intended to help the poor meet basic needs, such as discounts for food.

Economic indicators		2015	2016	2017	2018
GDP	\$ M	401296.0	412352.8	455275.5	504992.8
GDP growth	%	3.1	3.4	4.0	4.1
Inflation (CPI)	%	-0.9	0.2	0.7	1.1
Unemployment	%	0.6	0.7	0.6	0.7
Foreign direct investment	% of GDP	2.2	0.7	1.8	2.6
Export growth	%	1.6	2.8	5.4	4.2
Import growth	%	0.0	-1.0	6.2	8.6
Current account balance	\$ M	32112.7	48207.8	50211.1	35158.8
Public debt	% of GDP	42.6	41.8	41.9	42.1
External debt	\$ M	131819.4	137571.2	157582.9	169240.7
Total debt service	\$ M	18610.1	14384.0	14908.1	18532.3
Net lending/borrowing	% of GDP	-0.1	0.3	-0.7	-
Tax revenue	% of GDP	16.1	15.4	14.8	-
Government consumption	% of GDP	17.1	16.9	16.4	16.2
Public education spending	% of GDP	-	-	-	-
Public health spending	% of GDP	2.8	2.9	-	-
R&D expenditure	% of GDP	0.6	0.8	-	-
Military expenditure	% of GDP	1.4	1.4	1.4	1.3

Sources (as of December 2019): 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 1960s and especially since the 1980s, Thailand's governments have generally embraced neoliberalism in trade and investment policies. Thailand is a pro-business country, with laws intended to attract foreign investment and a free-market system. From 2007 to 2017, the number of procedures needed to start up a business in Thailand was reduced from 10 to five, which can be achieved in 4.5 days at a cost of 6.2% of GNI per capita (in 2007 the number of days needed was 35 and the cost 16.2% of GNI per capita), with the country ranked 39 out of 190 countries in the Doing Business 2019 sub-index "starting a business."

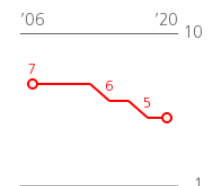
Thailand's 1999 Foreign Business Act (FBA) forbids majority foreign ownership in most sectors. Recent changes to the act bar foreigners from utilizing nominee shareholders or preferential voting rights to control Thai companies in certain sectors. Nevertheless, in mid-2016, the junta modified the FBA such that foreigners no longer had to obtain a foreign business license or have registered capital of at least THB 3 million. In 2017, Thailand joined the Madrid Protocol, which makes it easier for foreign companies to apply for trademarks in Thailand. Also, in 2017, Thailand established an inter-agency National Committee on Intellectual Property Policy to protect the international property rights of domestic and foreign companies.

Yet, despite efforts to institutionalize market competition more fully, the situation remains flawed. In 2017, reports surfaced of bid rigging, where employees provided inside information or confidential pricing knowledge (Transparency International).

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 clout of powerful economic interests continues to hinder the balanced 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 International Labour Organization, in 2015 informal workers comprised 55.9% of Thailand's workforce, mostly employed in the sectors of production, services and agriculture. In 2019, less than 40% of Thailand's workforce pay tax and tax revenues (17% of GDP) are the lowest among the Association of Southeast Asian Nations (ASEAN) countries. The junta canceled a proposed tax on land and buildings. The informal sector is not comprehensively covered by the country's current tax system, though it tends to produce over 50% of the country's GDP. Women have traditionally made up a large proportion of Thailand's informal sector employment. Thai employers increasingly rely on cheaper immigrant labor, as a means to better compete with lower-cost industries in China and Vietnam. Prices for transportation, education and medical fees, basic consumer goods and diesel fuel continue to increase. Foreign firms suffer from some barriers

Market
organization

5



to market entry in Thailand (e.g., laws against foreign majority ownership). Large, domestic firms (private or state), with legal and financial advantages, enjoy the least obstacles in terms of market competition. In fact, state-owned enterprises can compete with private firms. As a result, the role of state-owned enterprises has remained high, giving them advantages in market competition. In 2019, competition among firms (especially in the securities and telecoms sectors), was increasingly squeezing out small- and medium-sized enterprises. Large companies have benefited, especially those connected to the monarchy and military regime. The latter continues to favor trade liberalization and free trade ventures, especially with China and Japan. Thailand ranked 27 out of 190 countries in the 2019 Doing Business report.

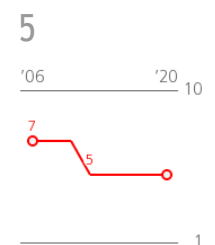
Thailand's original 1999 Trade Competition Act proved to be relatively ineffective due to the numerous exemptions accorded to state-owned companies, public agencies and influential individuals. Pressure from big business and inadequate enforcement hindered trade competition commission efforts. In 2018, there were close to 100 cases of unfair trade competition, which had been filed and considered by the Commerce Ministry. Nevertheless, during the years when the act was in force, not a single case made it to legal judgment.

In October 2017, a new Trade Competition Act was enacted. Under this act, the Office of the Thai Competition Commission, previously under the Ministry of Commerce, became independent. It also narrowed the number of exceptions to rules for state-owned enterprises, created new rules to prevent monopolies and enhanced legal certainty for anti-trust legislation. Only if state-owned enterprises carry out activities by law or cabinet resolution for the purpose of national security, public benefit or infrastructure, are they exempted from anti-trust regulations. Class action lawsuits can now be filed by consumer groups, while criminal and administrative punishments have been increased. The new act is meant to reduce market dominance, ensure a fair and level playing field for enterprises to do business based on international standards, prevent unfair business practices, and increase penalties for wrongdoers. Despite this act, in 2018 Global Power Synergy Plc (GPS), a subsidiary of Thai state-owned oil giant PTT, took over SET-listed Glow Energy Plc. In response, some said that the acquisition gave GPSC 80% (a monopoly) on all power purchase agreements (PPAs) in the Map Ta Phut industrial estate.

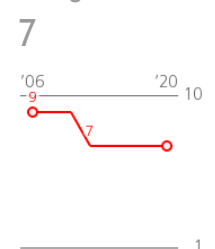
Since 2001, Thailand has promoted bilateral, regional and global free-trade agreements (FTAs). In 2019, Thailand had 13 FTAs with various countries. Thailand is a member of China's Regional Comprehensive Economic Partnership (RCEP) and has had a bilateral FTA with China since 2003. Negotiations for a Thailand-U.S. FTA have so far foundered over U.S. demands for more international property rights protections. Work toward a Thailand-EU FTA stalled as a result of the European Union's disdain for Thailand's 2014 coup.

In 2019, continuing trade barriers remain an obstacle to those seeking to increasingly liberalize foreign trade. The country maintains high tariff barriers on agricultural

Competition policy



Liberalization of foreign trade



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, in 2019 Thailand is still not a signatory of the WTO (World Trade Organization) Agreement on Government Procurement. In 2017, Thailand agreed to purchase 155,000 tons of coal from U.S. suppliers. In 2018, the United States moved Thailand down from its Priority Watch List to its Watch List. In 2018, Thai and U.S. delegations met to expand trade and investment through the U.S.-Thai TIFA (Trade and Investment Framework Agreement). In 2019, Thailand's top three trading partners are China, Japan and the United States, in that order. ASEAN is a leading destination for Thai exports, and Thailand in 2019 committed to reducing ASEAN trade transaction costs by 10% and is promoting trade liberalization in the Greater Mekong Subregion.

Thailand has a banking system and a capital market oriented toward international standards. Following financial reforms, the banking sector is relatively more stable than banking sectors in many developing and advanced countries.

Since the 2014 coup, the proportion of non-performing bank loans has grown from 2.3% in 2014 to 3.1% in 2017. During this period, the economy experienced a slowdown, resulting from political chaos, increasing political risks and diminished private sector confidence.

The bank capital-to-assets ratio increased from 9.2% in 2014 to 10.5% in 2016 to 10.7% in 2017. Meanwhile, there has continued to be a slowdown in loan growth. Banking reforms since 2006 have sought to increase overall market capitalization, providing greater fundraising efficiency and promoting savings, especially in the equity, bond and derivatives markets. The country incrementally implemented Basel II banking regulation standards in late 2010 and since 2013, the Bank of Thailand has implemented the BASEL III framework. This has included Thai banks' issuance of BASEL III-compliant instruments such as injections of public funds.

In 2016, the Bank of Thailand launched Financial Sector Master Plan III (FSMP III) for 2016 to 2020.

FSMP's objective is to continue promoting competition among banks and other financial institutions, prevent price distortions, promote regional trade and investment, guarantee macroeconomic and financial stability, and expand licenses in Thailand for foreign banks.

The state has also sought to enhance banking transparency. In 2019, 11 out of 17 Thai banks were listed on the Stock Exchange of Thailand (SET), ensuring banking transparency at least for these listed institutions. Within the SET, market capitalization dropped 9.2% from THB 17.6 trillion in 2017 to THB 16 trillion in 2018. Average daily turnover in the SET in 2018 was THB 56.4 billion, down 18% from THB 47.8 billion in 2017. Daily turnover and market capitalization in Like the

Banking system

8



1

SET, Thailand's Market for Alternative Investment, experienced a marked downturn. Thailand's equity market has, since 2016, shown improvement: the Thailand Equity Market Index achieved an all-time high of 1,830.1 points in February 2018.

In 2018, the central bank introduced tighter standards for mortgage lending, adopting stricter down payment requirements to minimize bad mortgages, which have been growing exactly as household debt has mushroomed. The measure is expected to lift Thai banks' lending standards.

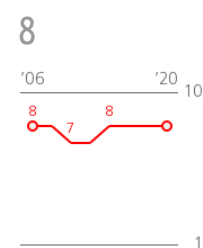
8 | Monetary and fiscal stability

The Stock Exchange of Thailand (SET) Index has experienced persistent yet turbulent growth owing to years of political turmoil besetting a generally stable economy. However, in December 2017, the SET Index suddenly dipped from 162.9 to 42.9 before beginning to ascend again in January 2018.

Regarding inflation (CPI), though it dropped to a low of -0.9% in 2015, it has since very slowly grown on a year-by-year basis. In 2017, it was 0.7%. In 2019, it stood at 0.92% and is expected to grow to 1.8% by 2022. The Bank of Thailand and the Ministry of Finance have sought to maintain a target of $2.5\% \pm 1.5$ percentage points as the annual average headline inflation rate.

Meanwhile, the Bank of Thailand, which in 2007 had abandoned the managed float system, has since followed a flexible foreign exchange policy that has permitted the baht to move in line with the market – a policy that Thailand's post-2014 junta has generally maintained. Formally, the Bank of Thailand is an independent agency, but, since the 1997 financial crisis, its independence has continued to be questioned given past instances of executive intervention. Since the 2014 military coup, the Bank of Thailand has insisted that it has maintained independence from political intervention. In fact, though the Bank of Thailand is formally independent, informally it cannot contradict the preferences of the Crown Property Bureau or (since 2014) the junta. In the period under review, the de facto independence of the central bank remains questionable. The Bank of Thailand regularly intervenes in the market to prevent excessive currency volatility. The Bank of Thailand prohibits baht-denominated lending to non-residents who are not involved in trade or investment in Thailand. Since becoming governor of the Bank of Thailand in 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 and interest rates high. Veerathai's term ends in 2020, which may lead to a change in the Bank of Thailand's policy approach. Thailand's Real Effective Exchange Rate in September 2018 was 126.7, compared to 124.1 in August 2018, indicating a potentially slight reduction in competitiveness.

Monetary stability



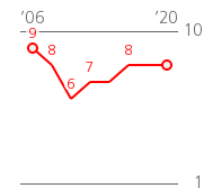
From 2016 to 2017, Thailand's current account balance diminished from \$48,237.2 million to \$48,126.4 million, a figure that has grown yearly since 2012 when the current account balance stood at -\$1,698.3 million.

Meanwhile, total reserves edged up year-on-year from \$151,253.3 million in 2014 to \$196,120.6 million in 2017 (between 2013 and 2014 total reserves diminished). With a self-imposed debt ceiling of 60%, public debt went from a high of 43.4% of the GDP in 2014 down to 40.6% of the GDP in 2017. At the same time, external debt has diminished since 2013. In 2017, it stood at \$121,497.2 million. Total debt service to the IMF has diminished from \$19,281.1 million in 2015 to \$14,310.3 million in 2016. Furthermore, net lending/borrowing moved from -0.1% in 2015 to 0.4% in 2016. Finally, government consumption, which has incrementally increased on a yearly basis since 2007, contracted slightly to 16.9% of the GDP in 2017.

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. In 2015, to prop up the Thai baht, which had begun to fall in value, the junta initially began to sell off its international reserves. Thailand descended from a record high trade surplus of \$4,974.14 million in February 2016 to a trade deficit of -\$1.18 billion in November 2018. Thailand has placed its economic growth hopes primarily on tourism (which represents a fifth of the economy). However, the worsening Chinese economy could harm Thailand's tourism economy, which has become more dependent on Chinese tourists, as well as the initiation of 20 infrastructure mega-projects (e.g., a high-speed train) between 2015 and 2022. These projects will be largely publicly financed. Consequently, public debt is expected to be 53% of the GDP in 2019 and 52% in 2020. Ultimately, the junta's fiscal and debt policies have generally succeeded in supporting macroeconomic stability, though they could have been implemented more rapidly over the last three years. As for fiscal policy, in 2019, the junta continued to allocate 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. However, following the enactment of the junta's Fiscal Responsibility Act in 2018, a limit was set on the amount of budgetary resources that governments could allocate to populist programs. In the 2018 – 2019 fiscal year, the cap was 30% of the THB 2.9 trillion budget. Meanwhile, since 2014, the regime has succeeded in following a debt policy in which public and private debts are kept moderate and manageable. Ultimately, in 2019, the junta has been able to establish fiscal policies and rules that enhance fiscal stability. The only budgets not hemmed in by these rules are those of Thailand's monarchy and military.

Fiscal stability

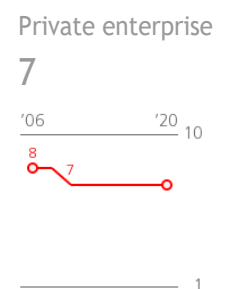
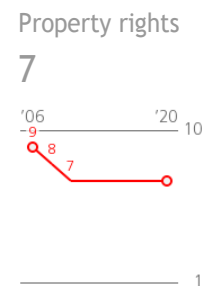
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9 | Private Property

In 2019, 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 2018 International Property Rights Index, which addresses legal, 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 (up from 66 and 13 in 2017). This score represented an improvement from 2017 to 2018 of 0.102 points. Within Asia, while Indonesia and India are ranked above Thailand, Sri Lanka and Vietnam are ranked lower. The Heritage Foundation's 2018 Index of Economic Freedom has increased Thailand's score on property rights since the 2014 coup from 45% to 40% in 2015 to 51.3% in 2017 to 48.6% in 2018 (on a 0% – 100% scale), partly blaming the military coup for the initial drop in the score since it weakened judicial protections and thus weakened property rights. Since then, Thailand's legal process has been slow and hampered by partisan intervention, with widespread counterfeiting and piracy continuing to undermine intellectual property rights. Corruption has been widespread at all levels of society and bribery is viewed as a normal part of doing business. Moreover, there has been a decline in the rule of law as measured by property rights. Though Thailand maintains an Intellectual Property and International Trade Court, intellectual property piracy persists. However, in 2018, new laws were enacted requiring residential property landlords to adhere to a new set of terms and conditions that eradicate rogue practices so that tenants are not victims of unfair contracts.

Though Thailand has a large public sector, private firms remain crucial to the country's economy. In 2019, starting a business took 4.5 days (the second shortest in Southeast Asia) and five procedures, at a business registration cost of 6.2% of GNI per capita. 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 state enterprises considered to be at the "commanding heights" of society such as the Electricity Generating Authority of Thailand (EGAT) or the Water Works Authority (MWWA). Thus, privatization 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 nullified. Since the 2014 coup, the ruling junta took control over the country's 56 state corporations. In 2019, 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-o-cha 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

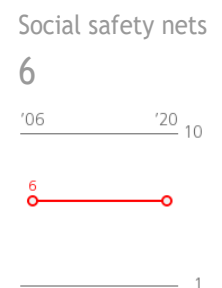


Corridor, rail links to Laos and Cambodia and the Eastern Economic Corridor, all of which are aimed at benefiting private enterprise trade with China and Japan. The junta has also utilized its decree powers to cut the environmental impact assessment (EIA) process by half to expedite mega construction projects, to entice more investment from private companies supportive of the junta and its Special Economic Zones.

Thailand has laws protecting and regulating private companies, specifically the Thai Civil and Commercial Code, the Licensing Facilitation Act, and the Labor Protection Act. Legal disputes involving private companies are decided by courts.

10 | Welfare Regime

In Thailand, a social security act was enacted in 1990, while a labor protection act was enacted in 1998. In 2002, Prime Minister Thaksin Shinawatra introduced a health care program where all Thais only had to pay THB 30 (\$1) at the hospital for most procedures. Following the 2014 military coup, universal health care, a priority of Thailand's 11th National Development Plan (2012–2016), does not exist in the junta's successor 12th National Development Plan (2016–2022). In 2018, the THB 30 program covers 70% of the population but accounts for 40% of all spending on public health care. The rest of the population, including private sector employees, subscribe to self-financed social security schemes and the tax-funded Civil Servant Medical Benefit Scheme, which covers state officials and their family members. According to the Thai Health Promotion Foundation, current public health expenditure since 2014 has accounted for at least 13% of the state budget and, according to the World Bank, it stood at 3.77% of the GDP in 2015. Perhaps because of such spending, life expectancy at birth in Thailand stands at 75.3%. The Thailand Development Research Institute estimated in 2018 that spending on public health care in 2032 would stand at around \$14.6 billion. Such spending would then likely intensify to \$42.8 billion due to population aging, with more elderly people in need of health care. The junta leadership has considered modifying the THB 30 program as a means of reducing health care costs but in 2019, it remains intact. The NCPO did remove subsidies for farmers introduced by the Yingluck government, but has offered loans to the same farmers. Working with the private sector, the regime is promoting its own "Pracha Rat" (state populism) policies that offer mild welfare programs for Thai people. The junta enacted the long-delayed National Savings Fund in 2015. The law is supposed to help Thais in the informal sector who cannot utilize the government pension scheme or social security system, Yet, in 2019, only 2% of non-wage workers participate in the program. Non-citizens have limited access to Thailand's social safety net if employees sign them up for it. These employees must pay health insurance fees.



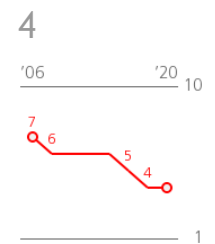
In 2019, Thailand remains a country with persistent denial of equal opportunity based upon gender, sexual orientation, religion, ethnicity, race and political preference. In particular, women and minorities enjoy less institutional assistance in accessing public services or serving in public office than men. Women make up 45.7% of the labor force but in general are relegated to lower paying jobs or employment in the informal sector. At the same time, according to the World Bank, while Thailand's literacy rate is 92.9%, with a male literacy rate of 94.7% and a female literacy rate of 91.2%. Regarding the ratio of female to male enrollment (GPI), the ratio of girls to boys stands at 0.9 (primary), 1.0 (secondary) and 1.4 (tertiary), indicating that there are increasingly more girls than boys at higher levels of education. However, the gross enrollment ratio shows less enrollment by either gender in higher levels: 100.6 (primary); 120.6 (secondary); 45.9 (tertiary).

Thailand ranked 73 out of 149 in the World Bank's 2018 Global Gender Gap Index, a drop from 75 out of 144 in 2017. The 2007 Anti-Domestic Violence Act remains weak because it provides inadequate punishments for people who commit crimes against women and children. Women are not welcome in state security service academies (e.g., the police and army) and can only serve in specialized roles in social security services (e.g., nursing). Though same-sex marriage is illegal, Thai society generally accommodates LGBT behavior and participation in society. The military-controlled parliament passed a gender equality act in 2015. The law aims to punish discrimination based on gender identity and sexual orientation, with violators facing up to six months in jail and a THB 20,000 fine. Yet, in 2018, that law remains weak in national security situations (e.g., Deep South) because security laws allow officials to treat women with impunity.

As for migrants and ethnic minorities, the junta has shown little inclination to assist these groups. In 2018, the junta suddenly announced that undocumented migrant workers from Cambodia, Myanmar and Laos could face prison and hefty fines. The United States in 2018 asked the Thai government to alter seven of its labor laws governing regular and irregular migrant workers to conform to International Labor Organization (ILO) standards. The 2019 Gem Report stated that migrant children and youth in Thailand are often detained. In 2018, Thai police shut down a forum organized by foreign journalists about the plight of Rohingya refugees. The junta has done little to actually put an end to the mistreatment of Rohingya people, many of whom are human trafficking victims. 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. In 2018, Credit Suisse Research Institute's Global Wealth Report proclaimed that Thailand was the most economically unequal country in the world. Access to Thailand's best schools, hospitals and job opportunities are concentrated in Bangkok and a few other cities, and only the select, wealthy few can access them. There has been no serious effort on the part of government to correct this inequality.

Equal opportunity



11 | Economic Performance

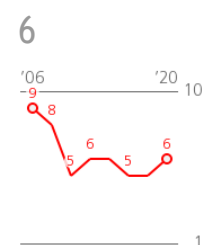
Thailand's GDP per capita based on purchasing power parity (PPP) was at \$16,938 in 2016 and \$17,871 in 2017. Meanwhile GDP growth increased from 3.3% in 2016 (GDP of \$411,755.2 million) to 3.9% in 2017 (GDP of \$455,220.9 million). GDP per capita expanded from \$5910.5 in 2016 to \$6125.7 in 2017, with a GDP per capita growth rate of 4.1% generally maintained from 2011 to 2016. Inflation grew from 0.2% in 2016 to 0.7% in 2017.

The latest data on employment finds that unemployment increased from 2016 to 2017 with an adjustment of 0.9% to 1.1% across the two years. FDI moved from 0.7% to 1.7% of the GDP from 2016 to 2017. The current account balance diminished from \$48,237.2 million in 2016 to \$48,126.4 million in 2017. As for public debt, it declined from 42.2% of the GDP in 2016 to 40.6% of the GDP in 2017 before reaching 40.67% of the GDP in 2018. Meanwhile, the sum of net lending/borrowing amounted to -0.1% of the GDP in 2015, which increased to 0.4% in 2016. Furthermore, tax revenue contracted from 16.0% of the GDP in 2015 to 15.5% of the GDP in 2016. Finally, in terms of gross capital formation, in 2016, Thailand held 21.7% of the GDP, compared to the higher 22.1% of the GDP in 2015.

In 2018, Thailand experienced an economic downturn. This was due to a decline in tourist arrivals from China, partly resulting from a July 2018 boat accident that killed 47 Chinese tourists. Meanwhile, in 2018 exports declined overall, with exports to China slumping 14%. At the same time, according to Fitch, in early 2019, Thailand's economic growth was poised to decline 3.5% due to intensifying U.S.-China trade tensions coupled with a poorer investment outlook. Added to this are continuing problems with car sales (car sales were expected to contract 2% to 5% in 2019), increasing household debt, an anticipated interest rate hike, persistently high state debt, continuing delays in the government's budget disbursement, problems in rice and rubber prices (though in late 2018 they were slowly rising), tepid domestic consumption (especially among low-income households) and private investment.

Thailand's continuing low unemployment has assisted the economy, although this does not include the informal sector. Nevertheless, unemployment grew from 0.9% in 2016 to 1.1% in 2017. In 2019, there was a small drop in consumption prices although the cost of living increased. Though inflation grew in 2017, it stood at a minuscule 0.7%. In 2018, public debt approximated 40.67% of the GDP, with the public debt ceiling standing at over 65% of the GDP. Public debt has continued to rise precipitously. Meanwhile, taxes contracted to 15.5% of the GDP. Though private consumption rose in 2018 (compared to the previous year), so did public consumption, which has continued to increase on a yearly basis, especially since the current military regime has sought to build mega-projects. Though in 2015 Thailand recorded a budget deficit of \$7.8 billion (-2.5% of the GDP), the state ran a budget deficit of \$14.2 billion in 2018. It is seeking to keep the deficit at the same level in 2019 and modestly increase it to \$14.26 billion in 2020.

Output strength



12 | Sustainability

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

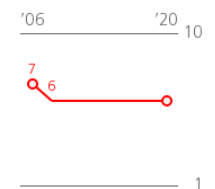
Following the 2014 coup, legal protections for the environment were threatened following the repeal of the 2007 constitution. However, Section 57 of Thailand's 2017 constitution mandated that the state would "conserve...natural resources, environment and biodiversity to attain benefits in a balanced and sustainable manner..." Yet enforcing such a mandate is difficult given the power of vested interests with bureaucratic connections who 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. January 2016 saw the junta exempt the construction of buildings (including coal-fired plants) in new Special Economic Zones from the regulatory power of national or local authorities.

In March 2016, the junta issued Order No. 9/2016, designed to cut short the process of conducting EIAs on mega-projects, allowing state agencies to fast-track public projects related to transportation, water management, health care and disaster prevention prior to completing an EIA. The purpose of these exemptions appears to be to attract foreign investment to Thailand and tap energy needs. In 2018, the state formally amended the 1992 act to align it with the 2017 constitution, imposing penalties for the development of projects without EIA approval, which does not exist under the current environmental act. Yet the amendment appears little more than an ineffectual "paper tiger," as it fails to eliminate EIAs fast-tracked by the junta and identify how public participation in EIAs will be conducted and has been criticized "for being an investment promotion law in disguise." Currently, Thailand's military regime seems more committed to quickly commencing and completing its developmental mega-projects than to processing EIAs.

The regime has continued to crack down on dissent from environmentalists. For instance, in December 2018, police arrested demonstrators protesting against a garbage processing plant located close to a community. Nevertheless, following popular demonstrations against coal-fired plants in 2018, the Electricity Generating Authority of Thailand has increasingly promoted natural gas rather than coal. Also, in 2018, following mass protests, the state canceled the construction of senior judges' housing in a forested national park in the northern city of Chiang Mai.

Environmental
policy

6



The Thai public education system exists across the entire country, it has been mostly free and school attendance is close to universal. In 2017, the U.N. Education Index scored Thailand at 0.661, higher than the 0.650 the previous year: Thailand's score in the index has continued to improve each year since 2013. According to UNESCO, Thailand's literacy rate in 2017 (for ages 15 to 24) was 98%. According to the World Bank, in 2016 the literacy rate was 92.9% for people aged 24 and above. Meanwhile, gross enrollment in 2017 has continued at approximately 100.6% at the primary level, 120.6% at the secondary level (schooling is compulsory in Thailand up to ninth grade) and 45.9% at the tertiary level. As for relative school enrollment, in 2017 the ratio of male to female students is 0.9 at primary level, 1.0 at secondary level and 1.4 at tertiary level.

However, the quality of public education differs widely with the highest quality schools concentrated in Bangkok and a few other principal cities. Such a gap in access to quality public schooling is similar to access to high quality teachers. The biggest obstacles to education are in the far south where education has been stymied by continuing violence, with teachers targeted and shot by insurgents in that region.

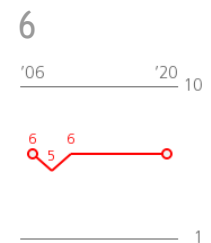
Thai students, when tested through the Program for International Student Assessment (PISA) and the Ordinary National Educational Test (O-Net), have generally received lower scores. In the last PISA assessment in 2015, Thailand scored a poor 415.0 points and ranked 55th. The score means that almost a third of students aged 15 are “functionally illiterate.” PISA indicates that Thailand is currently 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 to 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 2018 national budget, the junta decreased spending on education. Then, for the 2019 budget, the Ministry of Education received more funding than any other ministry, allocated \$15.3 billion. The latest figure on total public expenditure on education in Thailand was 4.1% of the GDP in 2013 (World Bank).

In 2018, the state enacted the Equitable Education Fund Act. It was established with a THB 1 billion start-up fund and a core mission to reduce educational inequality in Thailand. Yet, this law may be difficult to enforce given potential conflicts with the Ministry of Education.

Another policy, recommended by the World Bank, aims to merge smaller schools into larger ones. Meanwhile, the junta's leader, Prayuth, has complained that teachers give too much homework to students. Finally, the junta has appeared to give priority to ingraining 12 “slogans” into the educational curriculum, such as “correctly” comprehending democracy and demonstrating greater loyalty to the monarchy.

The latest figures on research and development (World Bank, 2015) indicate that Thailand allocated 0.6% of the GDP to R&D. This represented a rise in R&D

Education policy /
R&D



spending, which before the coup was 0.5% of the GDP. 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. Investment in R&D has continued to lag behind Singapore, Malaysia and Indonesia. In 2018, the junta's leader, Prayut, ordered the creation of an R&D ministry tasked with handling the country's human resource development to meet labor demands related to the Thailand "4.0 policy" and the development of 10 targeted industries within Thailand's 20-year National Strategy.

Governance

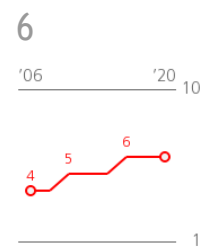
I. Level of Difficulty

In Thailand, three deeply entrenched structural constraints have affected governance. First, there is the geographically imbalanced character of socioeconomic development, with its concentration of wealth in the capital region as opposed to provincial Thailand, especially the northeastern region and parts of the north and far south. In 2018, the World Bank stated that over 80% of Thailand's 7.3 million poor continue to live in rural areas based on 2014 data. In 2018, according to the World Population Review, the Greater Bangkok Metropolitan Area represented 14 million people (or 22.2% of the total population). Meanwhile, according to the World Bank in 2016, the city accounted for 25.8% of the GDP and consumed over 70% of total government expenditure. In contrast, the rural and impoverished northeast, which accounts for 34% of the population and 11.5% of the GDP, benefits from only about 6% of total government expenditure. In 2018 and 2019, this structural constraint has only become further entrenched.

Second, there is an enormous cleavage between the “wealthy and well-born” and the middle class, on the one hand (mostly Thai/Sino-Thai), and the lower classes (tending toward Thai-Lao and other ethnicities) on the other. While this cleavage involves distributional issues that have intensified relative poverty, the socially unjust distribution of income and wealth is a major factor. In 2018, Credit Suisse Research Institute's Global Wealth Report stated that Thailand was the most economically unequal country in the world.

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 palace-endorsed coup and subsequent military rule that lasted until 2019. It remains to be seen whether the 2019 elections will diminish this imbalance.

Structural
constraints

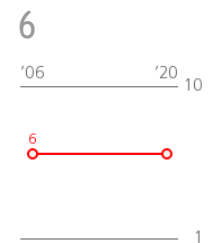


Modern Thai political history has witnessed a contentious relationship between civil society and the state, especially regarding the environment, land titling and issues of democracy. Modern Thai civil society evolved from the 1944 to 1947 and 1973 to 1976 brief periods of political space. From 1980 to the review period, the state for the most part has allowed NGOs to evolve uninterrupted. However, problems of interference by the military, co-option by the state, internal malfeasance and poor administration have continued to beset the development of Thai civil society. Today, over 18,000 NGOs are registered in Thailand, with several receiving donations from international agencies. Some Thai NGOs support or oppose the Shinawatra family. Others try to be apolitical. From 2006 until 2014, the pro-Thaksin United Front for Democracy Against Dictatorship (UDD) Red Shirts increased in numbers. The UDD is a broad, diverse social movement supported by businessman-politician Thaksin Shinawatra and includes elements of the lower and middle classes. It has sought economic and political reforms and actively backed Yingluck's government. In 2018 to 2019, the junta succeeded in winning the support of some ex-UDD leaders. Meanwhile, between 2006 and 2012, another group, the People's Alliance for Democracy (PAD) or "Yellow Shirts," reflected a reactionary pro-monarchist standpoint. In 2013 to 2014, the PAD morphed into the People's Democratic Reform Committee (PDRC), which acrimoniously opposed the Yingluck government. Thailand's May 2014 military coup was mostly met with acquiescence from urban Thai civil society groups (such as the PDRC). Some NGOs actually supported the coup while others opposed it. Any NGO members voicing opposition to the military junta could be detained or incarcerated while their organization might be dissolved. In 2019, Red Shirts critical of the junta continue to exist, though they remain inactive to avoid imprisonment by the NCPO. At the same time, new progressive anti-junta civil society groups have formed, including the New Democracy Movement and Dao Din. In 2019, both conservative and progressive political parties again became active in anticipation of the March 2019 election. But these parties are, in general, weakly institutionalized.

Thai civil society has found a new arena to express itself: cyberspace, which has steadily evolved as a platform of expression and association over the last decade. Through social media, new political groups have formed online to carry out various online and offline activities that support or 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 2018 to 2019, despite the military dictatorship, Thailand continued to suffer from two acrimonious, entrenched conflicts. At the national level, there is a socioeconomic and political split, which pits opponents of populists Thaksin Shinawatra, Yingluck and their family against supporters. Rural dwellers and the lower-middle class strongly backed the ex-prime minister, while the upper-middle classes and elites vehemently opposed him. The two sides have been violently represented by the PAD/PDRC and the UDD. However, this clash has stalled, given the military junta's

Civil society traditions

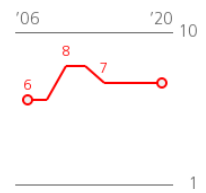


Conflict intensity

7

application of martial law throughout Thailand, a fact that the junta often reminds Thais of on television. As junta-promised elections approached in 2019, the NCPO succeeded in winning support from some politicians and UDD leaders for a new pro-junta political party, Palang Pracharat. Nevertheless, a high level of conflict intensity remains between opponents and proponents of Thaksin.

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 hardline stance by Malay-Muslim insurgents against southern Buddhists (and vice versa), resulting in heightened levels of violence between Buddhists and Muslims in that region. In 2018, talks between the NCPO and a cluster of insurgent groups stalled, with violence in the region persisting.



II. Governance Performance

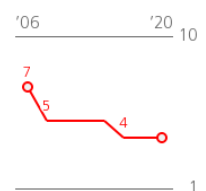
14 | Steering Capability

Since the May 2014 military coup, the junta has prioritized several objectives. First, for purposes of stabilization and security, it has actively repressed suspected societal opponents. Second, it claims to be pursuing a national conciliation plan aimed at reconciling the deep divisions and polarization in Thai society under nationalistic and patriotic programs that emphasize “Thainess,” traditional values and a reverence for the monarchy. Yet, despite the junta’s use of telecommunications and national education to achieve these policy goals, the country is no less divided than before. Third, it has encouraged the judiciary (in particular military courts) to increase the number of *lèse-majesté* (insulting the monarchy) prosecutions and convictions. Fourth, it has sought to jumpstart the economy using mega-projects and foreign investment, mostly from China but also Japan. Nevertheless, in 2019, Thailand’s economic health has worsened. Fifth, the regime has brought to trial leading members of the elected Yingluck government (which it ousted), mostly on corruption charges. Yingluck herself was found guilty in absentia in 2017. However, allegations of corruption and cronyism have haunted the junta. Moreover, policy formulation has not been made in a transparent manner. Sixth, the junta stated that it sought a return to democracy, but this only came after five years (in 2019). At the same time, the 2017 constitution gave the junta power to appoint a new Senate. 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 that elected governments over the next two decades must adhere to (or potentially be forced from office), including large allocations to the armed forces. Eighth, despite junta

Question
Score

Prioritization

4



promises, it has been unable to end a continuing Malay-Muslim insurgency in Thailand's Deep South region.

The Thai state has followed a policy of enhancing strategic capacity by prioritizing and organizing its policy measures (e.g., gaining and organizing expertise, evidence-based policy-making, regulatory impact assessments, strategic planning units), for example, in terms of anti-corruption and controlling pollution. However, these have been hampered by powerful political economic interests given that members of the junta have been involving in corruption and the junta has overridden legally required environmental impact assessments in the name of industrial development.

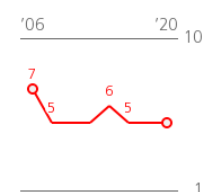
The 2014 military coup facilitated policy implementation given that policy changes could easily occur under martial law, ongoing in 2019. Nevertheless, key business leaders have complained that the junta needs to establish clearer policy implementation and quicker budget disbursement to strengthen investor 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 allocation of resources across ministries. 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 more free-trade zones along the borders. The cabinet in 2018 announced that 19 mega-projects would be gradually implemented between 2019 and 2024.

In accordance with the BTI framework toward democracy, between 2014 and 2019, Thailand as an autocracy, made dilatory efforts toward democratic politics. The junta did announce a "road-map" to return to democracy, but the promised elections were pushed back to 2019, a clear failure of implementation. The vast majority of the junta's major policies aimed to repress opposition in order to sustain the regime. Another was the 2017 constitution, which weakened the institutions of democracy in Thailand. Finally, in 2018, the junta implemented a 20-year National Strategy of Development. The delayed junta-promised election, which was held in March 2019, initiated a weak democracy with the military continuing to hold substantial power (under the monarchy) behind the scenes.

Since the coup of 2014, Thailand's junta has demonstrated that it has learned from the past. Section 44 of the 2014 military constitution is a carbon copy of previous junta laws (e.g., 1959, 1972, 1976, 1977, 1991), which legitimizes any actions that the junta's leader feels are necessary to maintain order. Meanwhile, the junta's diluted form of Thaksin-oriented populist policies ("Pracha Rat") is an attempt to shore up popular support. The new regime also passed a broadly worded 2018 anti-corruption law in line with previous government initiatives that have done the same. Despite promises to promote transparency, tackle corruption and stabilize Thailand, the junta's rigid policies and routines of policy-making have impeded innovative approaches. The bounds of policy flexibility largely depend on leading junta and

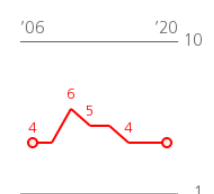
Implementation

5



Policy learning

4



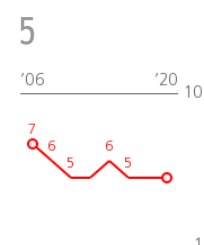
military personnel, which does not facilitate inputs from a wide range of stakeholders. Thailand in early 2019 continues to exist under a rigid military dictatorship. Junta leaders do not seem to realize that the overly centralized character of their regime facilitates opaqueness and corruption, allowing no room for innovative policy learning. Regarding the southern insurrection, the post-2014 regime has engaged in negotiations with an insurgent umbrella group. The junta's decision to engage in peace talks derived from a learning process that was copied from the negotiations of the predecessor Yingluck government. But in 2018, these talks stalled.

15 | Resource Efficiency

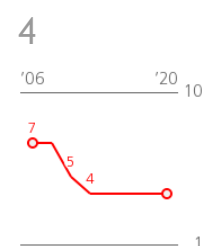
Since Thailand's regime came to power via a coup d'état in 2014, most of its cabinet and top-level appointments were political. Appointees are partisan, arch-royalist, anti-Shinawatra and supportive of the pivotal role the military plays in politics. Junta leader Prayuth has reshuffled the cabinet a few times since assuming office by rotating out officials opposed to his preferred reform policies. Recruitment procedures (especially in the military) remain politicized and opaque. Under the current autocratic government, budget planning and implementation lacks transparency and government accountability. 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. In 2019, reserves were continuing to drop. In 2019, Thai public debt appeared to be officially low, at 41% to 42% of the GDP. Moreover, in the post-2014-coup period, there are no audit instruments that are credible monitors of the regime's spending. From 2007 to 2016, senior military positions were dominated by a single faction. The 2016 accession of a new king led to the rise of a new military faction in 2018. Finally, the decentralization of the administrative organization has been rolled back.

In early 2019, Thailand's military junta was seeking to establish a coherent regime policy. It sought to placate the populace by improving the economy by establishing a healthy mega-projects 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 attempted to bring various ministries of the Thai government together in support of a coherent Thai government policy in a counter-insurgency effort, including defense, economic, educational, health care and juridical dimensions designed to stabilize or improve the situation of Malay-Muslims. 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 that involves prosecuting individuals

Efficient use of assets



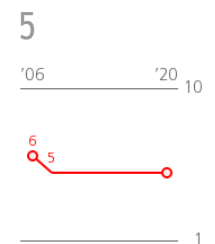
Policy coordination



charged with insulting the monarchy while advertising the military as the protector of the monarchy. The junta has even sought to co-opt many of the Shinawatrass' populist policies into a diluted form of "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., reducing state debt while paying for Thaksin-esque populist reforms as well as consolidating the junta's stability while promoting a return to democracy). Meanwhile, the junta has had to address dissent within the military and gaps in task assignments and complete the enormous number of tasks it has given itself (e.g., defeating the insurgency in the Deep South). Another task for the junta has been to consolidate the 2016 accession to the throne of King Maha Vajiralongkorn and stay on good terms with the new king, who reportedly favors a rival military faction to the one to which most junta leaders belong. Though the military junta has sought to coordinate successful public policies, placating the new monarch could produce the greatest obstacle to its survival. In an attempt to guarantee policy coordination between the current and future governments, the regime in 2018 enacted a 20-year national strategy (2018–2037).

2014 coup leaders partly rationalized their coup on allegations that the elected Puea Thai government was corrupt. Junta leader Prayuth Chan-o-cha therefore launched a war on corruption. 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 appeared to be "unusually wealthy," even though they have been life-long bureaucrats. In 2018, the junta was faced with protests after it allowed the building of a government luxury housing project on forested land in Chiangmai, with allegations that around \$4 million had been misappropriated from a state fund for the poor to pay for the construction. A new anti-corruption law took effect in 2018, which was designed to enhance measures and mechanisms to prevent corruption and willful misconduct. It expanded the definition of bribery to cover people under foreign jurisdictions, while allowing junta appointees to remain on the National Anti-Corruption Committee (NACC) for a further seven years. Yet, under the NACC, few if any probes have been conducted of junta leaders or their allies. Because of the dearth of any effective and transparent anti-corruption policy (which covers senior military or military-associated figures), Thai citizens lack access to information about potential activities involving corruption of junta leaders.

Anti-corruption policy



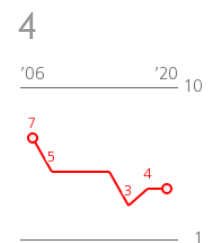
16 | Consensus-Building

Relevant actors agree on the need for a democracy led by the monarchy. Nevertheless, in late 2018 and early 2019, there continued to be enormous polarization of views on the issue of political transformation. One of the most contentious issues spearheading this divide involves the concept of democracy itself, with some viewing it in terms of majoritarianism and others not. 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. In March 2019, civilian pressures finally forced an election involving two civilian-backed diametrically opposed agendas: a conservative, military-backed anti-Thaksin political narrative and an anti-junta democracy mostly supportive of Thaksin. A final issue is the insurgency in the deep south between Malay-Muslim rebels and the state, which at this point appears to be without end. These conflicts are preventing Thailand from achieving consensus on the goals of political development.

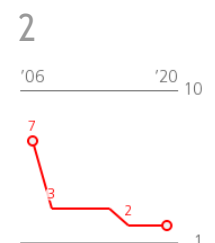
All relevant actors agree on the primacy of a market economy and, since the rise of Thaksin Shinawatra in 2001, there has been a general recognition of the need for social welfare policies. In late 2018 and early 2019, this was reflected in the military junta's implementation of conservative economic policies and attempts to dilute welfare programs initiated by Thaksin. The only conflict here appears to be whether there should be more emphasis on strengthening the market economy or, as championed by the pro-Thaksin Pua Thai party, on enacting more social welfare policies. This clash continues to exist in 2019.

Between 2018 and 2019 (continuing a long historical pattern), anti-democratic actors held the most power in Thailand. These actors included the monarchy, the king's Privy Council, the military (and other security-related bureaucrats), private sector interests opposed to democratic reform, and Malay-Muslim insurgents in the deep south. Even when they have been in office, elected civilians have had no real control over the monarchy, Privy Council or the military. The monarchy possesses complete formal and informal political power over all other political institutions. Besides cosigning acts of parliament, the monarch can also veto all laws, pardon offenders, dissolve parliament and enact emergency decrees. The king's political involvement generally occurs behind the scenes. The king's Privy Council 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 Tinsulanonda, holds significant influence within the armed forces. The military's power was most

Consensus on goals



Anti-democratic actors



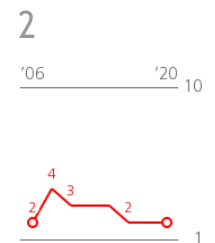
recently illustrated in its coups of 2006 and 2014. With regard to anti-democratic private sector interests, the monarchy's Crown Property Bureau (CPB) is majority shareholder in Siam Cement, Christiani and Nielsen, Siam Commercial Bank and other companies and has not been audited. Malay-Muslim insurgents in the Deep South are not democratic and have persistently used violence in their struggle against the Thai military, which itself practices an excessively violent counter-insurgency. In 2019, Thailand held new elections. However, the 2017 constitution guarantees that the monarchy, privy council and military will continue to dominate the country.

In 2019, Thailand continues to face an array of political cleavages. One is a deep political cleavage based on geography and class, and a second pertains to ethnicity and religion. The first is the cleavage between impoverished rural people in Thailand's populous north/northeast and urban middle-class people, centered mostly in the capital Bangkok. The military, monarchy and metropolitan businesses adhere to this latter position. This cleavage has revolved around support for or against Thaksin Shinawatra, who implemented several pro-poor policies when he was prime minister. Reflecting this cleavage was the pre-2014 divide between demonstrators: the mostly rural "Red Shirt" United Front for Democracy against Dictatorship (UDD) against the mostly urban "Yellow Shirt" People's Alliance for Democracy (which later morphed into the People's Democratic Reform Committee, PDRC). The NCPO has tried to gain support from the lower classes by implementing a series of diluted Thaksin-esque "Pracha Rat" welfare policies. 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. In 2019, there remains little, if any, reconciliation between those for and against Thaksin. Nevertheless, there has been growing consensus in the two groups about the need for a return to democracy.

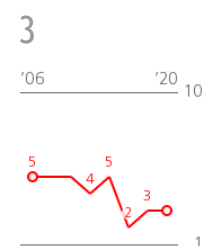
With regard to the second (ethnic and religious) cleavage, a long-simmering Malay-Muslim insurrection against Thai rule in three deep south provinces has persevered. The post-2014 military junta continued negotiations initiated by the Yingluck government in 2013. But in 2018, the talks stalled and the military began prioritizing a military solution to the insurgency. As a result, cleavages causing violence in the deep south remain alive.

Ever since the 2014 coup, civil society voices critical of the junta have faced intimidation. Members of civil society supportive of the junta have been appointed by it to positions in the regime. The junta has allowed some mild and indirectly 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. In 2018, 22 civil society organizations sought to collect citizen's signatures to repeal the NCPO's orders that violate human rights and democratic values. Yet these groups have faced intimidation from the junta. In 2018, members of one group (P-Move) engaging in a peaceful protest were arrested.

Cleavage /
conflict
management



Civil society
participation

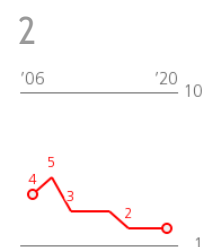


Overall, civil society participation under the junta is extremely limited. In early 2019, civil society continues to have no formal voice in political decision-making as the NCPO junta continues to dominate the country. The junta has promised a general election in 2019.

Civil society actors that matter to the government are those that supported the 2014 military coup or those who have benefited from junta rule.

In 2019, Thailand's ruling military regime continues to experience numerous obstacles related to political reconciliation. The state has used force against Malay-Muslim insurgents in Thailand's Deep South but has also attempted to negotiate with them and improve the lives of Malay-Muslims in the region. The state has meanwhile tended to repress ethnic minorities in the north. In terms of historical ethnic, religious and class injustices, Thailand's political leadership has utilized an ideology constructed around its monarch to socially construct loyalty to the state. In elite politics, divisions still exist regarding two former prime ministers, Thaksin and Yingluck Shinawatra. The pro-Thaksin Puea Thai party and the United Front for Democracy Against Dictatorship (UDD) want a Puea Thai party politician to become the next prime minister and also have supported bringing back the 1997 constitution. The Democrat Party and the now defunct anti-Thaksin People's Democratic Reform Committee (PDRC) are vehemently opposed to the Shinawatras and their allies. The May 2014 military coup forced the elected Puea Thai-led government from office. The subsequent military junta has banned demonstrations of five or more persons. In general, the putsch represented reconciliation through repression. The regime has sought to reconcile Thais in support of their propaganda of "Returning Happiness to the People," as well as through 12 core values. There was even an attempt by the NCPO to remove the name of Thaksin from Thai history textbooks. Yet this military-imposed reconciliation has merely postponed Thailand's need for reconciliation over the Shinawatras divide. In 2019, the junta sought to reconcile Thais by stressing its role in protecting the monarchy, the 2017 palace-endorsed constitution and the 2019 election.

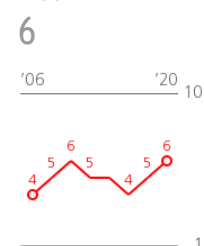
Reconciliation



17 | International Cooperation

Following the 2014 coup, Thailand's military regime has used economic support from international partners (particularly China and Japan) to invest billions of U.S. dollars in high-speed, multi-year train projects and in the country's regional development strategies. In 2019, Japan and China were the two largest providers of foreign assistance to Thailand. Japan is the leading investor in Thailand, while China is Thailand's leading trade partner. Thailand must pay China for most of the rail construction costs, though Bangkok can borrow money from Beijing. In 2019, the Japan-dominated Asian Development Bank enacted several projects, including those to strengthen financial transparency in specific financial institutions and advance

Effective use of support



national financial literacy, 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 fact that in 2019 Thailand remains a military-ruled country has made donors hesitant, slowing 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 to 2021 and the 20-year national strategy (2018–2037) look set to involve foreign cooperation in integrating various projects together in order to improve Thailand’s development policy framework. Finally, the military junta has blocked all attempts by foreign actors to criticize its restrictions on political rights and civil liberties. This has made it much harder for international NGOs and Western political actors (e.g., the European Union and EU member states) to provide support for improving democracy, democratic governance and the rule of law in Thailand.

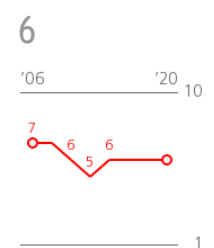
Thailand has experienced three major problems with credibility in recent years. The first involves the 2014 to 2019 military junta. Despite signing the U.N. International Covenant on Civil and Political Rights in 1996, the post-2014 regime continues to be criticized for human rights violations by the Asian Human Rights Commission, U.N. Human Rights Council, Human Rights Watch, Amnesty International, the United States, Canada, the European Union and Australia. Initially, many urban Thais accepted the junta, since the junta ended the political turbulence of 2013 to 2014. But with no end in sight for military rule, Thais who had initially supported the coup began to join opponents of military rule in seeking democracy. Such popular discontent spooked potential foreign investors, wary of increasing risks. Following the 2019 election, foreign investors hope that Thailand will become more stable for business.

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. Such problems with accountability became more apparent in 2018, when a scandal involving undeclared luxury watches owned by deputy Junta leader Prawit Wongsuwan led to a halfhearted investigation by the National Anti-Corruption Commission whose president had been appointed by Prawit.

Also, in 2018, Prime Minister Prayuth was criticized for currying favor with China by pursuing a non-viable development strategy, which did not sufficiently consider deals with other countries that might offer better technology and investment opportunities.

A third problem with credibility is the upcoming 2019 election. Most observers doubt that the junta is willing or able to hold fair elections and allow a return to democracy. As if expecting that most of the international community will find the 2019 election incredible, the junta has stated that no foreign observers will monitor the polls.

Credibility



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 and national risk assessments.

Regarding credibility and reliability with other countries, Thailand's military junta has continued to uphold most agreements made before the coup, 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.

Thailand is a member of several regional organizations, including the Association of Southeast Asian Nations (ASEAN), the Asia-Pacific Economic Cooperation (APEC), the Asia-Europe Meeting (ASEM), the ASEAN Regional Forum (ARF), the Greater Mekong Subregion (GMS), the Lancang-Mekong Cooperation (LMC), 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).

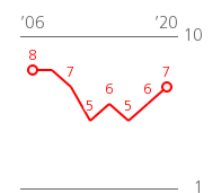
Thailand has not experienced border tensions with any neighboring countries since 2015 (Cambodia). Bilateral trade with neighbors has improved significantly. In 2017, Thai-Cambodian trade reached \$6 billion, up 10% from 2016, while Thai-Myanmar trade grew to \$5 billion, from \$4.3 billion in 2016. In 2017, Thai-Laos trade increased to \$6.17 billion, up 5.1% from the previous year, while Thai-Malaysian trade expanded to \$23.6 billion, up 8% from the previous year.

ACMECS is a Thai-led economic strategy to build projects in neighboring Laos, Cambodia, Myanmar and Vietnam. As part of ACMECS, Thailand completed the construction of a railway line linking Bangkok to Phnom Penh in 2018. Through ACMECS, Thailand is also on the verge of establishing, in 2019, a regional fund for Cambodia, Laos, Myanmar and Vietnam to back infrastructure and other development projects and reduce their dependence and reliance on Chinese investment. In 2019, Thailand, with Japan, remains committed to building a multi-billion U.S. dollar economic zone in Myanmar's deep-sea port of Dawei. However, negotiations with Myanmar have been slow. In 2018, with U.S. President Donald Trump appearing to keep the United States disengaged from Southeast Asia, Thailand is looking to embrace China's Regional Comprehensive Economic Partnership. In 2018, Thailand also became chair of ASEAN for one year.

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.

Regional
cooperation

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Strategic Outlook

From 2017 to 2019, dictatorship became solidly embedded in Thailand and, after 2016, a new monarch consolidated his power. During this period, the junta utilized numerous strategies to maintain power, including imprisoning and torturing opponents, limiting public assembly, enacting severe penalties for criticism of the military and monarchy on social media, and publishing propaganda across the media to enhance support for the regime and praise the monarchy. In 2019, the junta tightened economic monetarism while placing legal limits on populist program budgets.

With the military remaining in power in 2019, most Thais (of different standpoints) united to pressure the junta to hold a general election. In late March 2019, elections were finally held, but – given the undemocratic character of the new political structure – it is unlikely that the new government will resolve political divisions anytime soon.

In 2019, for Thailand to establish greater political stability, there must be an accommodation between the two opposing political camps. This will require compromise, though it will be dominated by elites. Thailand's elites must accept the Shinawatra family, pro-poor policies and civilian control over the military. Meanwhile, pro-Shinawatra groups must accommodate the traditional elites opposed to them. The Shinawatra family must also avoid proposing policies that antagonize the established aristocracy. In 2019, there were rumors that elements of the pro-Thaksin Puea Thai party and the anti-Thaksin Democrat party had begun discussing possible future areas of cooperation. Another challenge, for the military government or its “civilian” post-election successor, will be to stabilize the Thai baht and guarantee greater market stability while ensuring that more pro-poor welfare policies are implemented. At the same time, the state must mandate robust banking regulations and transparent banking transactions, thus strengthening the banking system in Thailand. A slow return to economic growth could stymie Thailand's banking system and capital markets. In 2019, Thailand's economic growth rate remains lower than previously anticipated. Economic and social development as well as tourism must remain robust and sustainable.

The military regime's costly mega-infrastructure projects could increase public debt and may be prone to corruption. Any solution to the Malay-Muslim insurrection necessitates an end to repression and more sincere negotiations toward giving the three southern provinces limited autonomy.