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*PATHWAYS TO FREEDOM: CHAPTER PREVIEW*

# Thailand

Political and Economic Lessons From Democratic Transitions

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## Overview

From the early 1990s to the early 2000s, Thailand seemed to be a textbook example of cautious but thoughtful democratization. A perfect storm of factors derailed its progress, however, slowing its economic growth, and setting the stage for domestic conflict. Today, the country faces political paralysis and poor prospects for long-term prosperity.

After absolute monarchy ended in 1932, Thailand's military essentially ruled for six decades. Allied with business elites and the king, who retained enormous power behind a constitutional facade, military rulers maintained control over media and politics but generally allowed technocrats and the central bank to set economic policy.

Pragmatic macroeconomic policies, abundant resources, and foreign direct investment produced robust growth starting in the late 1950s. Annual growth averaged 8.4 percent between 1960 and 1970. Tourism took off. Thailand also benefited from billions in American civilian and military assistance. By the early 1970s, a rising urban middle class began to agitate for greater political say and in 1973 and 1976, antimilitary demonstrations forced a slight political opening. In the early 1990s, the military's seizure of power from a civilian government sparked massive demonstrations. After the king reprimanded both sides on television in May 1992, the military ceded control and street violence ceased.

With this reversion to civilian rule, Thailand seemed poised for democratic consolidation. It held free and fair national elections. Civil society continued to flourish, and in 1997, Thailand passed a groundbreaking constitution. In retrospect, this was the high-water mark for its democratic transition. The Asian financial crisis hit in 1997, posing a serious challenge to the country. Most Thais blamed the elite-backed Democrat Party, in power at the time, for the meltdown. This provided an opportunity for Thaksin Shinawatra, a billionaire telecommunications tycoon, to mount a challenge.

Presenting himself as a nonpartisan, executive leader, Thaksin won the 2001 election. His populist platform, including universal health care and loans to low-income Thais, gave the rural poor their first real hope in democracy. Thaksin's victory shattered the decades-old nexus of economic and political control among business leaders, the military, and the palace. He won reelection handily in 2005.

Thailand's nascent political institutions were too weak to control Thaksin's ambitions and he used his power to neuter the media, undermine judicial independence, and punish opponents. The Bangkok elite and middle class grew frustrated with this "electoral autocracy." In a rejection of democratic forms, they turned to street demonstrations and agitated for a coup, which came in September 2006.

A series of reversals ensued. A pro-Thaksin party won elections in 2007 (Thaksin himself was in exile avoiding corruption charges). Elites and the middle classes then reinstalled a Democrat government in 2008. This prompted the working class to mount its own protests, which, in 2010, culminated in the bloodiest violence Bangkok had experienced in decades.

In the July 2011 election, despite government repression and military warnings to support the Democrats, a pro-Thaksin party led by his sister won a parliamentary majority again. The result has been paralysis, democratic decline, and a marked deterioration of rights and liberties.

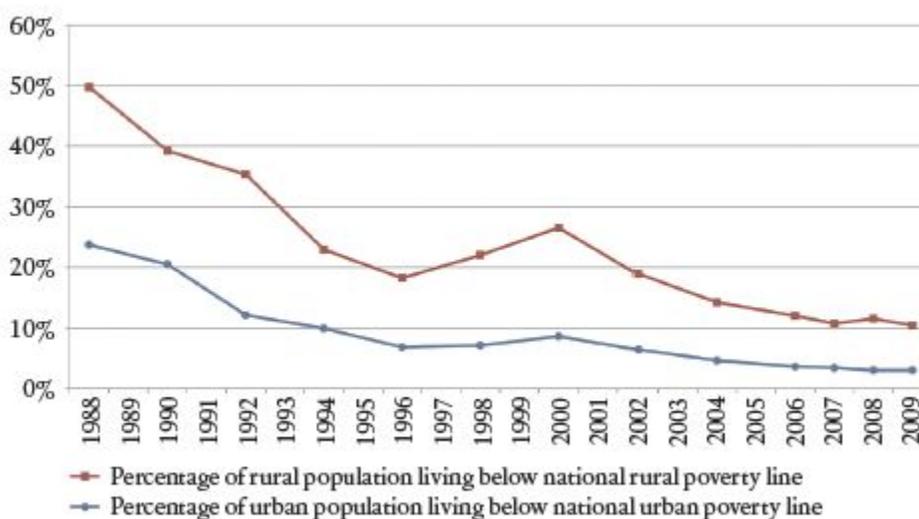
*Pathways to Freedom: Political and Economic Lessons From Democratic Transitions*, a new book from the Council on Foreign Relations, explores Thailand's progress and challenges in six areas of economic, political, and social development.

## SOCIOECONOMIC EXCLUSION AND INCLUSION

During the absolute monarchy and postwar economic boom, Thai society maintained a rigid hierarchy. Elites encouraged the poor to defer to better-educated and wealthier Thais. Budget surpluses during the boom decades were not used to broaden growth and make politics more inclusive. Instead, they went to military spending, politicians' pet projects, and infrastructure in greater Bangkok and tourist destinations. Despite some attention to average Thais' concerns, governments ignored priorities such as health care, secondary education, and internet access.

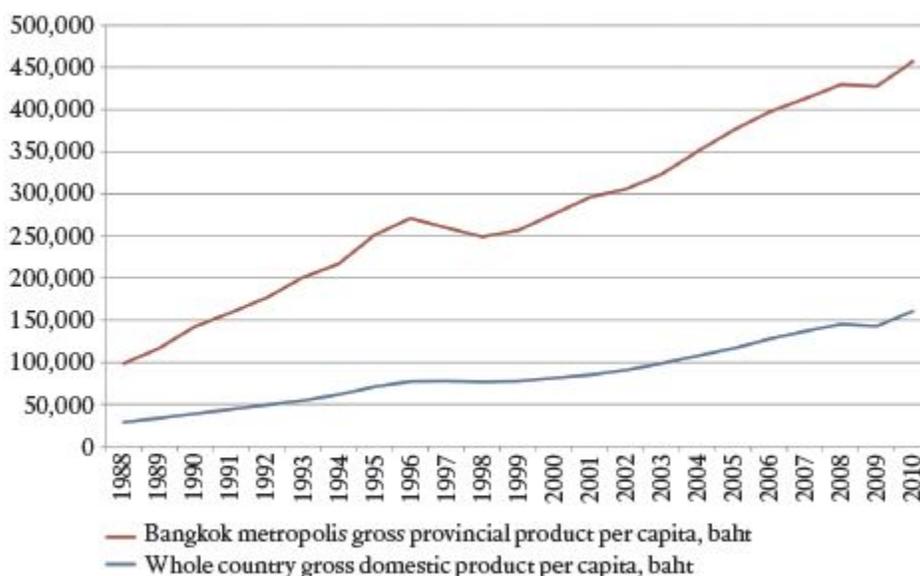
By the 1990s, Bangkok was more than ten times wealthier than some poorer provinces. The continued centralization of economic and political planning in Bangkok only served to exacerbate urban-rural divisions. Although Bangkok suffered during the Asian financial crisis, income dropped more sharply elsewhere. Migrants from rural families working in Bangkok generally lost their jobs first when the crisis hit. The deteriorating currency also made farm machinery pricier. Today, nearly 90 percent of Thailand's poor live in rural areas, and this socioeconomic exclusion has turned to anger.

*URBAN AND RURAL POVERTY IN THAILAND*



Source: World Bank.

### REGIONAL INCOME DISPARITIES IN THAILAND



Source: Thailand Office of the National Economic and Social Development Board Statistics, <http://bit.ly/TiNk7u> (GDP/GPP per capita).

### ECONOMIC STRUCTURE AND POLICIES

Beginning in the 1960s, Thailand's favorable tax and wage policies made it a regional manufacturing hub and foreign investment destination. Still, while the country's technocrats delivered decades of growth, creating a truly competitive economy was not a priority. The Asian financial crisis marked the end of the boom. Undercapitalized banks failed, construction dried up, unemployment rose, and exports fell. After the 2001 election, the Thaksin government worked to boost domestic consumer spending and broaden development beyond Bangkok, nearly doubling the state's debt in the process. But Thaksin also pursued business-friendly measures such as free-trade deals.

Poverty has fallen since the 1997 crisis, though Thailand's recent political turmoil and the global recession have reduced growth. Foreign investment, tourism, and low-end manufacturing will, for a time, sustain Thailand's economy. But its political instability, poor education system, and inability to upgrade the value of its exports will likely prevent it from escaping the middle-income trap.

### CIVIL SOCIETY AND MEDIA

For much of the Cold War, Thailand's civil society and media remained small and constrained. Beginning in the late 1980s, the media's liberalization—along with technology such as pagers and mobile phones—brought news to a wider swath of the population. However, the media's focus has remained on issues most relevant to urbanites. Coverage of the north and northeast, home to a majority of Thais, or the deep south, home to a deadly insurgency, has been scant.

The media's liberalization has not necessarily been a net positive for Thailand's democratic consolidation. Thaksin's rise and the 2006 coup spawned more-partisan media outlets, often funded by one

or two tycoons. As class divisions have hardened, media have abandoned their neutrality and public trust in the press has fallen. By the late 2000s, Thai media had turned into an echo chamber.

### *LEGAL SYSTEM AND RULE OF LAW*

For decades, Thailand's rule of law was largely weak and politicized, even in the more democratic 1990s. The 1997 constitution attempted to strengthen the rule of law and provide checks and balances. But it did not address the continuing, largely unwritten role of the king and his advisers, who remained a kind of "deep state."

Both Thaksin and the royalist elite weakened the rule of law. Thaksin undermined new institutions created by the constitution, pressured some judges and forced out others, and packed parliament's upper house with cronies. Instead of trying Thaksin's alleged crimes in court or changing the law, his opponents in the elite and middle classes fought him through street protests and other extra-constitutional means.

Thailand's weak rule of law has also produced a poor human-rights record. Outside pressure, notably from the Clinton administration, resulted in some improvements during the 1990s in human trafficking, religious freedoms, and treatment of refugees. But in the 2000s, the international community largely stood by as Thaksin and the 2006 coup-makers destroyed Thailand's democratic institutions. The Bush administration saw Thaksin as an important counterterrorism ally and then worried, mistakenly, that coming down hard after the coup would push Thailand into China's arms.

### *GOVERNMENT STRUCTURE AND DIVISION OF POWER*

Thailand has struggled to place its military—long its predominant institution—under civilian control. Since the 1950s, the military has operated in alliance with the king, who is neither absolute monarch nor ceremonial figurehead. In the 1990s, the army appeared to finally leave politics, but in truth it never fully relinquished power. Thaksin then failed to assuage the military's concerns, instead trying to cut its budget and maneuver his allies into the senior ranks. Younger officers came to believe the military should never have stepped out of politics.

Thailand's other power center is the prime minister's office. The 1997 constitution unintentionally set the conditions for an autocratic executive. Aiming to create a more stable party system, the constitution made it harder for small, regional parties to win seats and for Bangkok politicians to keep rural voters splintered. This empowered the rural poor, and Thaksin recognized that he could triumph by appealing to them. In office, he used his unprecedented parliamentary majorities to destroy the country's still-young institutions. Many Thais looked to the king for mediation. But by bolstering his own power over the years, the king had weakened the development of independent institutions. And by the 2000s, he was too elderly, unwell, or partisan to play his traditional role.

### *EDUCATION AND DEMOGRAPHY*

Thailand's postwar leaders appreciated the need for broad-based education. The government expanded primary education with curricula focusing on literacy, basic math and science, manual skills, and a nationalist ideology of obedience to the king. This approach made basic literacy nearly universal and created an effective workforce for low-end manufacturing. The economic boom of the 1960s

and 1970s meant plenty of blue-collar work and little public pressure for higher education. Indeed, secondary education—and upgrading primary education with higher-value skills—were not priorities.

After the Asian financial crisis, many leaders and educators recognized that Thailand's educational system was falling behind in critical skills, including information technology, English, and entrepreneurship. Both the pro-Thaksin and Democrat parties proposed reform initiatives, but political conflict hindered progress. The failure to boost educational quality and transition to a higher-value economy threatens Thailand's economic competitiveness. And thanks to a successful family-planning program, Thailand's demographic transition has largely passed.

## *CONCLUSION*

Thailand's civilian, royal, and military leaders made many shortsighted decisions. They failed to invest budget surpluses in education and in reducing inequality, privileged the Bangkok region over rural areas, did not create a truly constitutional monarchy with independent institutions, and pushed through a flawed 1997 constitution. The failure to fully tame the military, however, was perhaps the most critical misstep. Today, with slower growth, a fading monarch, partisan media, a meddling military, and political polarization, Thailand's most likely scenarios are continued political gridlock or civil war.

## Timeline

### **1932: Coup d'État Ends Absolute Monarchy**

A group of army officers and civilian officials ends Thailand's absolute monarchy with a coup d'état. King Prajadhipok loses his political powers, though the monarchy remains in place. Thailand is essentially ruled for the next six decades by the armed forces, allied with business elites and the king. The military maintains tight control over media and politics but generally allows technocrats to set economic policy.

### **1946: Bhumibol Adulyadej Becomes King**

The U.S.-born Bhumibol Adulyadej (also known as Rama IX) becomes king of Thailand after the death of his brother, the previous king. Still on the throne in 2013, he is the world's longest-reigning monarch. Neither absolute monarch nor ceremonial figurehead, the king holds considerable moral authority and exercises significant political influence behind the scenes. Many Thais look to him as the mediator and problem-solver of last resort, but in the 2000s, as Thailand's democratization began to come unhinged, he was too elderly, unwell, and partisan to play this role. Although harsh *lèse-majesté* laws prevent open criticism, signs of anger with the monarchy and monarchist elites now abound.

### **1950s to 1960s: Economic Boom Takes Hold**

Thailand's economic development takes off in the late 1950s and early 1960s, aided by pragmatic macroeconomic policies, abundant resources, and an attractive environment for foreign direct investment. The gross domestic product growth rate between 1960 and 1970 averages 8.4 percent, among the highest in the world. Thailand also benefits from billions of dollars in American assistance, as well as Vietnam War-related activities and investment. The economic boom helps all classes, but Bangkok and its suburbs benefit the most.

### **1991: Military Seizes Power From Civilian Government**

A military junta seizes power from Thailand's civilian government in February, committing an overreach that marks the first inflection point of Thailand's political transition. Popular pressure for civilian rule had been building for decades, and after the coup, large and violent street demonstrations erupt in Bangkok. The army tries unsuccessfully to crush the protests, killing at least sixty people. The king, who had long generally backed the military to guarantee stability, now appears concerned that the armed forces have become a source of instability. On May 20, 1992, he reprimands both the junta head and the protest leader on television. The military cedes control and street violence ends.

### **1992: Elections Usher in Democratic Era**

Elections in September begin a period in which Thailand seems poised for democratic consolidation. It holds several free and fair elections, and civil society, which mushroomed in the 1980s and early 1990s, continues to flourish. The Democrat Party, favored primarily by

elites, middle classes, and the palace, wins most elections during this period. It generally pursues stable, farsighted macroeconomic policies.

### **1997: Asian Financial Crisis Hits Thailand**

In July, Thailand's government is forced to devalue the baht after months of attacks by speculators. In the ensuing crisis, many banks fail, construction dries up, and exports grind to a halt. Millions of Thais become unemployed. The deteriorating currency also makes it harder for farmers to buy much-needed machinery, and a series of droughts worsens the crisis. Although it pursues moderate macroeconomic reforms, the Democrat Party is largely blamed for the meltdown. This provides an opportunity for Thaksin Shinawatra, a billionaire telecommunications tycoon, to form his own party.

### **1997: Thailand Adopts New Constitution**

In October, Thailand adopts a progressive and groundbreaking constitution guaranteeing many rights and freedoms. It creates new national institutions to monitor graft, establishes an upper house of parliament, creates a new supreme court, and strengthens political parties at the expense of unelected centers of power—the palace, the military, big business, and the elite civil service. The constitution proves in many ways the high-water mark for Thailand's democratic transition.

### **2001: Thaksin Wins Elections Through Appeal to the Poor**

After mounting the most sophisticated political-advertising campaign in Thai history, Thaksin and his Thai Rak Thai Party win the pivotal 2001 election. He presents both a non-partisan, executive image and a populist platform that includes universal health care and loans to low-income Thais, giving the rural poor their first real hope in democracy. Once in office, Thaksin works to stimulate the economy and broaden development beyond Bangkok. He also pushes for free trade deals and closer relationships with trading partners such as China. Politically, Thaksin weakens judicial independence and the rule of law, forcing out independent-minded judges and packing the upper house of parliament with cronies. Thailand's weak institutions make it easy for him to manipulate rural support to become, essentially, an elected autocrat. He is reelected by a wide margin in 2005.

### **2006: Military Stages Coup**

Thailand's military deposes Thaksin with a coup d'état in September. The coup comes after demonstrations led by middle-class and elite Thais increasingly distrustful of the populist Thaksin. King Bhumibol sanctifies the military's putsch. Thaksin had alienated the king by challenging his position as Thailand's most revered figure, and the king appeared convinced that the only way to ensure stability was to return power to traditional military, bureaucratic, and palace elites. The armed forces replace the 1997 constitution with a weaker version that serves primarily to reinstitute the army's role in politics.

### **2010: Political Unrest Rocks Bangkok**

Anger mounts among working-class Thais after elites use the judiciary, the palace, and army meddling to install a Democrat Party government in late 2008. Antigovernment protests

culminate in two months of bloodshed in the streets of Bangkok in the spring of 2010, during which at least eighty people are killed and hundreds detained. Following the violence, the Democrat government launches a harsh crackdown on civil liberties, abandoning whatever high ground it might have held.

### **2011: Thaksin's Sister Elected Prime Minister**

In July, a pro-Thaksin party led by the former prime minister's sister, Yingluck Shinawatra, wins an absolute parliamentary majority, shocking Thailand's middle classes. Senior military officers had appeared on television to warn Thais to vote for the Democrat Party, while the government closed several websites and jailed hundreds of activists without charge. After Yingluck's victory, some prominent intellectuals call for another coup and others suggest limiting the franchise. Yingluck, who serves as prime minister through the present, seems to have as little concept of the need for a loyal opposition as her brother. The result has been paralysis, democratic decline, and a marked deterioration of civil liberties and human rights.

### **2011: Thailand Reaches Upper-Middle-Income Status**

The World Bank upgrades Thailand from a lower-middle-income to an upper-middle-income country, reflecting that poverty has fallen from a high of 21 percent in the wake of the 1997 financial crisis to under 8 percent. Growth, however, averaged only 2 percent per year between 2008 and 2011, down from 5.6 percent from 2002 to 2006. Though Thailand's strengths can sustain its economy for a time, its inability to upgrade the value of its exports, its political turmoil, and its poor education system are likely to prevent it from escaping the middle-income trap.

## Further Reading

Askew, Marc, ed. *Legitimacy Crisis in Thailand*. Chiang Mai, Thailand: Silkworm Books, 2010.

A collection of essays on topics surrounding Thailand's recent political polarization.

Baker, Chris, and Pasuk Phongpaichit. *A History of Thailand*. 2nd ed. Cambridge: Cambridge University Press, 2009.

A book on Thailand's demographic, political, economic, and social history over the centuries.

Bello, Walden, Shea Cunningham, and Kheng Poh Li. *A Siamese Tragedy: Development and Disintegration in Modern Thailand*. Oakland: Food First Books, 1999.

A book that criticizes Thailand's open-market economic model.

Fineman, Daniel. *A Special Relationship: The United States and Military Government in Thailand, 1947–1958*. Honolulu: University of Hawaii Press, 1997.

A book tracing the establishment and early evolution of the U.S.-Thailand alliance.

Handley, Paul M. *The King Never Smiles*. New Haven, CT: Yale University Press, 2006.

A biography of Thailand's King Bhumibol, covering his youth, ascension to power, popularity among Thais, and political dealings from the throne.

McCargo, Duncan. *Tearing Apart the Land: Islam and Legitimacy in Southern Thailand*. Ithaca, NY: Cornell University Press, 2008.

A book on the roots, nature, and impact of the long-running rebellion in Thailand's Muslim-majority south.

McCargo, Duncan, and Ukrist Pathmanand. *The Thaksinization of Thailand*. Copenhagen: Nordic Institute of Asian Studies, 2005.

A book on the rise of former prime minister Thaksin Shinawatra and the impact and character of his rule.

Montesano, Michael J., Pavin Chachavalpongpun, and Aekapol Chongvilaivan, eds. *Bangkok, May 2010: Perspectives on a Divided Thailand*. Singapore: Institute of Southeast Asian Studies, 2012.

An edited volume on the conflict in recent years between Thailand's Red Shirts (largely supporters of former prime minister Thaksin Shinawatra) and Yellow Shirts (largely supporters of the traditional elite).

Phongpaichit, Pasuk, and Chris Baker. *Thailand's Boom and Bust*. Rev. ed. Chiang Mai, Thailand: Silkworm Books, 1998.

A book reviewing the economic and social trends that shaped Thailand before and during the Asian financial crisis.

*The United States-Thailand Alliance: Reinvigorating the Partnership*. Seattle: National Bureau of Asian Research, 2010.

A workshop report exploring aspects of the U.S.-Thailand relationship, taking into account Thailand's domestic and regional position.