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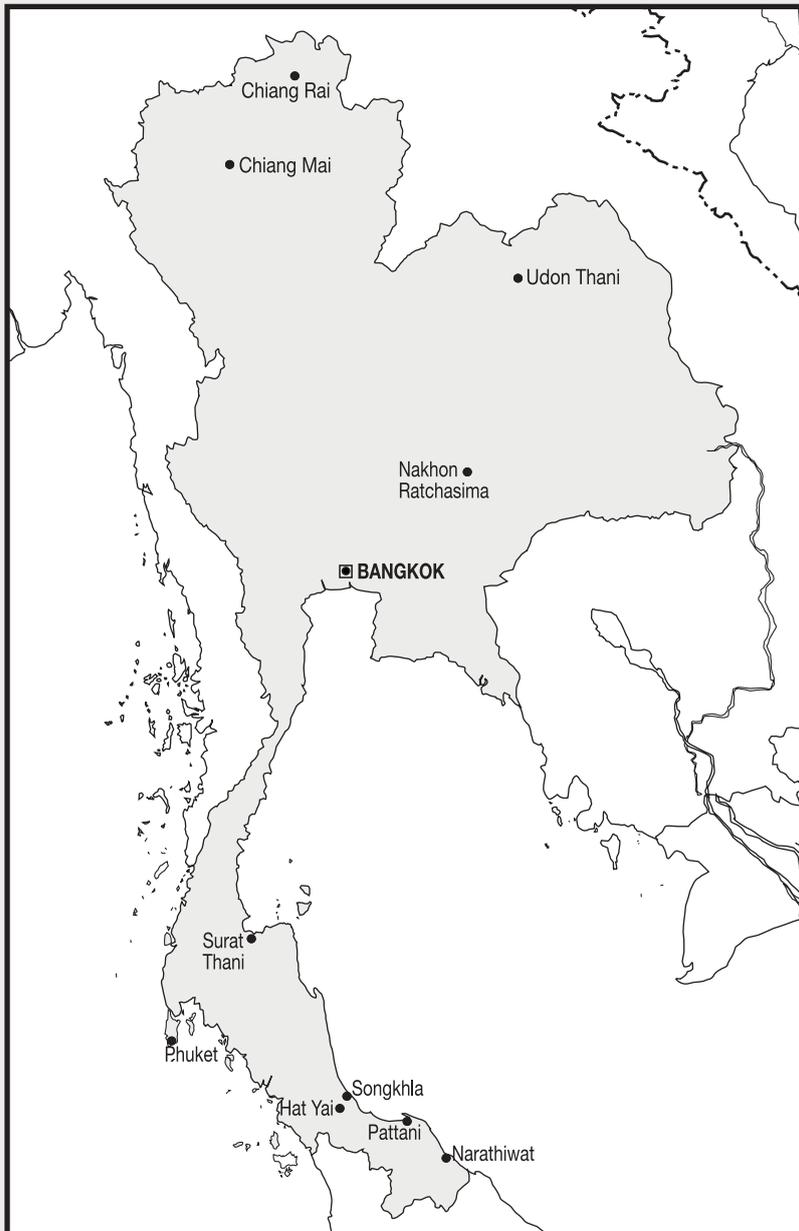
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# Thailand





# THAILAND IN 2017: Stability without Certainties

Pongphisoot Busbarat

Thailand in 2017 has been relatively stable, despite the fact that a decade-long political struggle has not come to an end. In fact, a widely anticipated process of national reconciliation has never taken place; hence, tensions between contending groups will continue to challenge Thailand in the immediate and long-term future. Despite this there were several important factors in 2017 that helped contain the conflict and which, in turn, maintained the stability of the military government. Such stability has, first and foremost, been preserved by restrictions on political freedom in the kingdom. The death of King Bhumibol in October 2016 and the year-long period of mourning, during which political activities were deemed inappropriate and socially unacceptable, further silenced opposition voices.

However, with the military holding power and the political bargaining between elites in different factions still unsettled, uncertainties cloud the future of Thai democracy. Illustrative of such uncertainties is the case of the charges against former prime minister Yingluck Shinawatra in the latter half of 2017 for negligence in regard to the rice-pledging scheme. The fact that Yingluck managed to flee the country in September added uncertainty to the future of the pro-Thaksin front and its leadership.

On the economic front, Thailand's economy experienced slow growth. Some policies were launched to stimulate the stagnant economy, in particular the Thailand 4.0 model, with the aim of upgrading Thailand to an innovative economy. However, it is unclear whether these policies will work as intended. The country's low economic performance has gradually affected all levels of the population, particularly the middle-class and the poor. Income disparity between the haves and have-nots remains a major challenge to Thailand's attempts to step up to a high-income economy.

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Regarding foreign relations, China is still an important factor in Thailand's foreign policy. Since the early period of the military government, when the junta sought international support amid strong criticism from Western nations, the country's reliance on China has continued. And while October saw the normalization of Thai–U.S. relations, tensions could resurface in the future, especially on trade issues. While the direction of Thai–U.S. ties remains unclear, Thailand will face difficulty in balancing Beijing's influence. After all, Thailand still relies on China for assistance with its economic recovery, so it cannot reduce the latter's heavy influence on policy calculations.

### **Moving Towards Controlled Democracy**

For more than a decade, during the post–Cold War era, Thailand was one of the most vibrant democracies in East Asia. The military's attempt to return to politics in the early 1990s faced popular resistance, resulting in the new 1997 Constitution that strengthened mechanisms for checks and balances, improved the efficiency of the executive branch and broadened civil, political and human rights.

While the 1997 Constitution led to positive development in Thai politics, it quickly tilted the power balance away from the establishment towards a new political group led by former prime minister Thaksin Shinawatra. This structural change arguably induced a decade-long political crisis in the kingdom. Thaksin and his political circle gained popular support based on populist policies which attracted the underprivileged population, especially in the rural parts of the country. As a result, the establishment and the urban middle class felt threatened and attempted to weaken Thaksin's political legitimacy through judicial activism against him, his family and his political parties. Political struggle loomed large throughout the decade since 2005 between the anti-Thaksin group, or the Yellow Shirts, and the pro-Thaksin group, the Red Shirts. The colour-coded politics brought protests and counter-protests to the streets of central Bangkok that paralysed the city many times. The military intervened by staging two coups, first in 2006 and again in 2014.

### ***Prolonging the Military's Role in Politics***

Unlike coups of the past, the 2014 coup leaders under the name of the National Council for Peace and Order (NCPO) show a determination to control the future of Thai politics for a prolonged period. Both the delayed timeframe for a new election and political engineering in the new constitution, which passed a referendum in August 2016, may suggest the military's political intentions.

After returning from his visit to the White House in the first week of October 2017, Prime Minister Prayut announced that elections would be held in November 2018. However, this timeframe seemed to be unattainable. Although the National Assembly passed the laws related to the election at the end of January 2018, they need to go through a review process by the Election Commission. If approved, the law will be signed by the king and announced in the Royal Gazette by the end of June 2018. A 90-day window period will be left until the end of September. After that, the election will be held within 150 days. Therefore, if everything goes smoothly, the election should be realized by February or March 2019 at the latest. If there is any interruption in the process or any problem — in the judgement of the junta — it will cause a delay to the election. Such a delay would not be impossible, considering the previous experience of the first drafting of the constitution when it failed to receive approval from the National Assembly in September 2013. The start of a new drafting process helped prolong the tenure of the military government until now.

In an interview in early December 2017, Thai army chief and secretary of the NCPO General Chalermchai Sithisart mentioned that the current situation may not be suitable for any political activities. His opinion was given in reference to the seizure of a large quantity of illegal weapons in Chacheongsao province at the end of November 2017, which the Thai authorities later claimed were connected to some segments of the Red Shirts.<sup>1</sup> Moreover, many observers and political parties were worried that if the NCPO did not allow political parties to start their activities by 5 January 2018, they may have insufficient time to fulfil the requirements of the new political party law, hence being at risk of being disqualified for the election.<sup>2</sup> There are possibilities, therefore, that the election might be delayed if the military cannot ensure the result will be in its favour.

Despite possible delay, there were also signs at the end of December 2017 and in the New Year that the above election road map may be on track. General Prem Tinsulanonda, chairman of the Privy Council, informed Prayut that, despite having fewer supporters, he would be able to regain public support due to his determination to serve the people.<sup>3</sup> Several days after that, Prayut started calling himself a “politician”<sup>4</sup> — a career he had previously dubbed as “dirty” and “corrupt”. This might suggest that he was sending a signal to the public that it was highly possible for him to be directly involved in politics after the election. However, it remains to be seen in what capacity he would be involved.

Moreover, there has been increasing pressure towards the Prayut government that may signal its declining popularity. The public, even among Prayut’s supporters, has questioned the political legitimacy of the ruling regime following a scandal

involving Deputy Prime Minister General Prawit Wongsuwan over his undeclared luxury wristwatches. Political activists have started to call both for Prawit to step down and for the election to be announced soon. These developments could remind Prayut that the longer he holds on to power the less he will benefit from the new politics after the election. Such a realization may influence him to keep the election within the timeline.

### ***Embedding Military Influence***

Looking at the legal architecture in the new constitution, it seems that the military will influence Thai politics and the policies of the future governments for quite some time. Significantly, the new constitution will retain the power of the current junta leaders in several aspects. Firstly, it empowers the NCPO to appoint members of the Senate, which will have veto power over the House of Representatives. Moreover, the constitution also allows the possibility of having an unelected prime minister. It opens several channels through which political parties can nominate a non-elected individual for the position. Therefore, the NCPO will be able to exercise its influence in the future legislature, especially through the Senate. There is also the possibility that Prayut or another coup leader could be nominated as the next prime minister.

The new constitution is built on another iron wall; that is, it is difficult to amend, and the Senate plays an important role in the amendment process. The process consists of four steps. First, a motion for amendment needs to be passed by at least a fifth of the members of the House of Representatives or of both houses combined who are present at the time of the vote. Once the motion is endorsed, the draft amendment needs approval in principle from at least half of the members of both houses who are present. It also requires the support of a third of the members of the Senate. The next step will be to vote for the individual amendments, each of which requires a majority vote in parliament to pass. The final approval needs to receive a *yes* vote from half of the members of both houses present at the time of voting. However, the *yes* vote must also meet two other criteria: firstly, it has to come from twenty per cent of the members of all political parties whose members do not hold the positions of prime minister, spokesperson of the House of Representatives and its deputies; secondly, it must also be from one third of the members of the Senate present at the time of the vote. Considering these requirements, any amendment to the new constitution would be near impossible, especially when the Senate is under the influence of the NCPO.

Apart from the political architecture that will retain the military's power in the future, the current regime also intends to shape the policy direction of future governments by embedding the so-called Twenty-Year National Strategy (2017–36) into the constitution. The National Strategy covers six aspects, including security, competitive enhancement, human resource development, social equality, environmentally green growth, and readjustment and development of the public sector.<sup>5</sup> On the surface the framework of the National Strategy seems to benefit Thailand's future development. Prime Minister Prayut had stated that Thailand needs a strategy that will improve and strengthen the Thai economy and overcome the middle-income trap.<sup>6</sup>

However, critics suggest that the process of drafting the National Strategy was opaque and did not involve public opinion or participation. The cabinet directly appointed the committee responsible for drafting it. The committee members consisted of seventeen members of the NCPO and another seventeen selected experts<sup>7</sup> who wield political and economic power, including members of the military and businessmen. The details of the National Strategy have not been revealed to the public for feedback or debate, with the committee only having published a thirty-five page summary document. At the end of September 2017, the committee unveiled the members of six subcommittees tasked with preparing concrete plans under the six strategic aspects.

The new constitution also stipulates that the National Strategy will be enforced under the law. This means the National Strategy will become the overarching policy framework for Thailand for the next twenty years. It would likely limit the ability for political parties to initiate or propose any policy to their voters. Any new government would also be required to announce its policies to parliament and allocate the budget in accordance with the National Strategy. Although there are no specific penalties for not complying with the National Strategy, non-compliance could be interpreted as violating the constitution, leading to motions against the government.

### ***Continued Suppression of Political Freedom***

Voices of political dissent have continued to be suppressed and the role of the military in Thai politics has been further entrenched. Although the military has achieved stability by prohibiting mass political gatherings, Thai politics is by no means static. After all, political grievances and tensions did not vanish in the wake of the 2014 military coup. There are still signs of civil resistance and unease within the pro-democratic movements. However, during the past year the

military has continued to suppress these political activists, including anti-military individuals and pro-Thaksin propaganda.

The Thai authorities have continued to threaten and silence political opinion. Amid the political crisis, the *lèse-majesté* law and Computer Crime Act have become legal tools used by the military and other political factions to curb the activities of their opponents. The legal process under the *lèse-majesté* law is conducted behind closed doors, and the police normally refuse bail. The use of the *lèse-majesté* law and Computer Crime Act have not only created fear in Thai society but have also led to the sense that the monarchy under the new constitution is an untouchable institution. It also prompts suspicion that law enforcement agencies have violated and compromised citizens' privacy and rights, often through their ability to access any individual's social media such as Facebook and Line messengers.

Between 2016 and 2017, the case of Mr Chatuphat Bunphatharaksa (also known as Phai Daodin) was prominent. In December 2016, the police charged Phai under the *lèse-majesté* law and the Computer Crime Act for sharing on his Facebook page a BBC news article which contained "inappropriate" analysis about King Vajiralongkorn. The police denied Phai's bail several times. The court eventually sentenced him to five years' imprisonment, but halved this when he later pleaded guilty to the charge. In mid-April 2017 the Ministry of Digital Economy and Society also warned the public not to follow the Facebook pages of three outspoken critics of the military and monarchy; namely, Somsak Jiamthirasakul, Pavin Chachavalpongpun, and Andrew MacGregor Marshall. The Ministry claimed that, according to the Computer Crime Act, it could pursue legal charges against those who followed or shared the posts of these critics.<sup>8</sup>

## The Military and the Monarchy

The death of King Bhumibol in October 2016 added uncertainties to the future of Thailand. Despite the fact that the royal transition took place relatively smoothly, it is still unclear whether the new reign will command the influence and respect as the fulcrum of national unity to the same extent as the late king.

King Bhumibol, who came to the throne at an early age, had time to cultivate a close, symbiotic relationship with the military. Since the 1960s the palace benefited from the support of the military in reviving its status following the end of absolute monarchy in 1932. Between the 1960s and the end of the 1980s, Thailand was mostly ruled by military leaders. This political structure was a part of nation-building that provided stability amid the communist threats of the Cold War. Thailand's survival after the fall of the Indochina countries to the communists

also justified the military's self-perception as the prime protector of the national holy trinity — the nation, the religion (Buddhism) and the monarchy. The Thai military, therefore, maintains its status and role beyond the concept of military professionalism, which promotes a restricted role of the military in defending the nation against external threats.

The deteriorating health of the late king before his passing posed a challenge to Thailand's stability amid the political struggle. This factor became part of the pretext for the military's intervention in May 2014 and its incentive to remain in power for the foreseeable future. The military and its allies wanted to ensure that the royal transition was uninterrupted and that the military was guaranteed its role in politics. In order to secure these objectives, the military made compromises with the palace. For instance, the military amended the constitution and laws related to palace affairs according to the suggestions of the new king, including the appointment of the regent<sup>9</sup> and the centralized power of the palace in managing its wealth.<sup>10</sup> At the same time, the dedication of the military government in 2017 to the royal cremation of the late king in October 2017 has symbolized to the public the continuity of the military–monarchy axis. The military has enjoyed public recognition of its ability to manage the grandiose plan for the late king's funeral. This success helped boost acceptance of the military among the Thai public.

However, it remains uncertain how the relationship between the military and the palace will evolve. The late king spent a lot of effort throughout his seventy years in building his charisma and networks across elite groups, hence gaining soft power and respect. The new monarch, however, has adopted a relatively different approach to convey how his wishes and demands should be met. Some ordinances have been initiated by the palace, including issues related to the king's prerogatives, the removal and appointment of palace staff and the royal guard, and even some minor issues related to new military practices, such as a new salute design or strictly short hairstyle. All in all, the relationship between the two parties currently shows no conflict on the surface, which in turn helps stabilize the military's role in politics. However, the reign is still new. It is uncertain how this relationship will develop in the long run, especially to what extent the military may agree with the way in which the palace broadens its role and power more explicitly.

## **Yingluck's Trial and Implications for Thai Politics**

Another politically important episode in Thailand took place in August 2017, regarding the trial of former prime minister Yingluck Shinawatra for negligence in

relation to the rice-pledging scheme during her tenure. The Thai Supreme Court was scheduled to read the verdict on 27 August 2017, but Yingluck did not show up in court. Her lawyer claimed she was suffering from Meniere's disease and requested for a delay of the reading, but did not produce a medical certificate for this. The court objected to the request, rescheduled the reading to 27 September and prepared an arrest warrant. On 27 September the court eventually sentenced Yingluck to five years' imprisonment in absentia. It appeared that she had already fled the country before the first court hearing, to reunite with her brother, former prime minister Thaksin Shinawatra, in Dubai. The media reported that she later went to the United Kingdom to seek political asylum.<sup>11</sup>

### ***Increased Legitimacy of the Military***

Yingluck's flight turned out to be beneficial for the military government, as it can justify to the public that she had committed a wrongdoing, in turn legitimizing its rule. Had Yingluck decided to stay, neither a positive nor a negative verdict would have benefited the government, as either would have strengthened the unity of the pro-Thaksin Red Shirts movement. A negative verdict would have deepened the Red Shirts' grievances about perceived injustice and would have set a stronger tone against the military. But if Yingluck had been found not guilty, this would have added confidence to their political position. Her disappearance therefore surprised the public, especially the Red Shirt supporters who had come to the court on the morning of 27 August 2017. It would be interesting to know what motivated her to flee Thailand, when her fight through the justice system of the previous two years had unified millions of her supporters amid the junta's suppressive laws against dissent and political mobilization. Some observers speculated that the government may have known in advance about her plan to escape, but allowed it to happen.<sup>12</sup>

### ***Impact on Political Parties***

While Yingluck's flight helped strengthen the military's position, it demoralized the Red Shirt movement and led to a leadership vacuum in the Pheu Thai Party. There are no candidates who possess a similar charismatic style of leadership who could lift the party's profile and command the Red Shirt's allegiance. Without Thaksin or Yingluck, the Pheu Thai Party has no unifying figure able to garner the same level of support for the next election. There is speculation that Sudarat Keyuraphan, a former deputy leader of Pheu Thai, will step in, as she is likely to be more moderate and acceptable to the junta.<sup>13</sup> Despite the weaker position

of Pheu Thai, this incident may help simmer positive developments for the party and the Red Shirts. Certainly, this could be the case if they can develop a strong political ideology and a broad-based political platform that is not dependent on the Shinawatras beyond symbolic figureheads.

While the pro-Thaksin faction faces leadership disarray in the wake of Yingluck's flight, the case has reassured the anti-Thaksin group's direction. The People's Democratic Reform Committee (PDRC) and its supporters (also largely associated with the previous Yellow Shirts movement) feel vindicated for their campaigns, the basic cue of which was that corruption loomed large in the Shinawatra administrations. Their support for military intervention in 2014 can be touted as having helped to cleanse Thailand's dirty politics. Some of the former PDRC leaders have indicated their intention to either set up their own party or to return to the Democrat Party to contest the next election. With this development, it remains to be seen whether the Democrats' hope to be a leading party in the next coalition government will be affected by the split of the PDRC. The Democrats' leverage is based on their strong link to the PDRC and some in the establishment.

Some military leaders have recently signalled the possibility of setting up a political party to contest the election. Deputy Prime Minister General Prawit Wongsuwan stated in a media interview that this option could be pursued if necessary.<sup>14</sup> However, the following three scenarios would oblige the next prime minister and the coalition government to arrange for political deals after the next election. First, the junta leader is nominated by political parties to be the prime minister. Second, the military sets up its own political party and co-opts other parties to form a coalition government with a junta leader as prime minister. Third, the junta may choose to influence politics from behind the scenes through the Senate. In early January 2018, just a week after General Prayut dubbed himself a politician, General Prawit also endorsed the idea that the former should be a candidate for the position of prime minister after the election.<sup>15</sup> The two major parties, Pheu Thai and the Democrat Party, have also suggested the idea of forming a coalition to prevent an outsider — meaning someone from the military — from becoming prime minister.<sup>16</sup> This is still uncertain, considering their longstanding antagonism throughout the decade, especially between their mass bases, and the Democrats' close ties with some military leaders.

### ***Implications for Public Policy***

The most significant aspect of Yingluck's case is that it will impact future administrations. On the positive side it will prompt politicians to be more cautious

about future public policy formulation and implementation. Any misconduct or corruption could land them in trouble, as with Yingluck and the other government officials involved.

However, there are several drawbacks. Fear will prevent intellectual leadership from emerging in the political scene; hence, there will be less innovative policies. The policies may not be responsive to the real needs of the majority of the population, as they will need to be framed in conjunction with the Twenty-Year National Strategy. Consequently, this development will roll back the Thai political system into the hands of the bureaucracy and technocrats, whose institutional objective is to preserve the status quo rather than encourage innovation.

Moreover, the politicization of the judiciary will further intervene in the executive branch in the future. The success of judicial interventions in recent decades has set this trend; ironically, ever since Thaksin came to office. Thaksin's overwhelming support based on his landslide victory in 2001 may arguably have influenced the verdict of the Constitutional Court in his favour during his case pertaining to hiding assets. The role of the court thereafter has been significant, especially throughout the decade-long political conflict. The court has disbanded political parties, dismissed a few prime ministers, as well as prevented certain policies from being implemented.

## **Stagnant Economy with Uncertain Prospects for Growth**

While the military may have achieved political and judicial manoeuvrability under its rule, its ability to stimulate economic growth is perhaps a different story. Economic management has become a major challenge for the military's legitimacy, as observers compare the economic performance of the military government to that of elected governments.

### ***Slow Growth and Lack of Confidence***

Thailand has experienced low GDP growth since the military took power. The annual growth rates were recorded at 0.9 per cent, 2.9 per cent and 3.2 per cent in 2014, 2015 and 2016, respectively, and the forecast for 2017 is roughly 3.5 per cent.<sup>17</sup> It is noteworthy that Thailand's GDP growth rates plummeted during the unstable period of political crisis after the 2005 coup but recovered when an elected civilian government restored some political stability. Notably, the GDP growth steadily dropped after the political crisis in 2008, and the suppression of the Red Shirts demonstration also resulted in negative growth of -0.69 per cent

in 2009 during the Abhisit government. The growth rate spiked to 7.5 per cent in 2010 when political stability was sustained and the prospect of a new election looked promising. Although the Yingluck government faced the challenge of devastating floods throughout the central plain and Bangkok after winning the July 2011 election, growth picked up to 7.2 per cent in 2012.

In 2017, the World Bank reported that the Thai economy had gained some momentum, with an expected growth rate of around 3.5 per cent, mainly due to external demand from the recovery of the world economy. However, the Thai economy still faces challenges and uncertainties. Increasing corporate and household debt (80 per cent of GDP) resulted in banks reducing credit and lending, as well as low levels of confidence among domestic consumers and investors. Coupled with increasing protectionism and lower growth in major economies such as China, Europe and the United States, Thailand's economic expansion is still limited, despite global demand improving. It is therefore interesting to note that despite political stability low growth has become the new normal under the military government.

The government launched several economic stimulus packages to help boost the economy. It introduced a "shopping for the nation" campaign for three weeks in late November 2017 to stimulate domestic consumption. The campaign allowed individuals who purchased designated goods and services below 15,000 baht to qualify for personal income tax deductions.<sup>18</sup> However, analysts assessed that the impact was relatively small. The campaign only benefited 7 per cent of taxpayers, and a lack of consumer confidence in the economy still limited their consumption to regular purchases.

In late September 2017, the government introduced a State Social Welfare Scheme targeting low-income earners. Under this scheme, the beneficiaries are grouped into two categories: those with an annual income lower than 30,000 baht and those with an income between 30,000 and 100,000 baht. They are eligible for a cash card worth 300 or 200 baht per month, respectively. The card is also loaded with separate allowances, including 500 baht for the Bangkok transit system, 500 baht for provincial buses, 500 baht for trains, and 45 baht for cooking gas.<sup>19</sup> The Finance Ministry is considering increasing the household allowance to 500 baht in the future. The extension of social welfare will impact government expenses and eventually put pressure on the government to increase its revenue, by both increasing the effectiveness of tax collection and expanding the tax base. The government recently announced it will increase value-added tax from 7 per cent to 9 per cent in October 2018 and that it is also considering an e-commerce tax.

### ***Socio-economic Conditions***

As a result of slow growth, the unemployment rate in 2017 had increased to 1.2 per cent, from 1 per cent in 2016.<sup>20</sup> Thailand's unemployment rate is usually at a low level due to the high transferability of the labour force between agricultural and non-agricultural sectors. In the second quarter of 2017, the unemployment rate in the non-agricultural sector had increased due to slow expansion in private investment in the industrial and service sectors. At the same time, a better climate and improved prices in agricultural products in early 2017 also gave more incentives for agricultural production. Despite the positive aspects of labour absorbability across sectors, this nature of the Thai economy shows that a large proportion of the labour force, roughly 33 per cent, remains in the agricultural sector. However, this sector's share of GDP accounted for only approximately 8.34 per cent in 2016, and around 8.8 per cent in the first half of 2017.

What implications does this structure have for Thailand's socio-economic prospects? First and foremost, a significant proportion of the Thai population still operate in low-income and lower-productivity sectors. Almost 10 per cent of the population is defined as poor, and the income gap between the top 20 per cent and the bottom 20 per cent is around ten times.<sup>21</sup> A survey in 2015 showed that the North and Northeast regions have the lowest monthly income per household in the kingdom, at approximately 19,000 and 21,000 baht, respectively. The monthly household income in the greater Bangkok metropolitan area is around 41,000 baht, much higher than the national average of 27,000.<sup>22</sup> Therefore, income disparity in Thailand remains a critical challenge.

Moreover, a large pool of labour in low productivity sectors also implies the presence of a significant number of low-skilled workers. An assessment conducted by the Office of the National Economic and Social Development Board suggested that Thailand has made slow progress in education and training. The majority of the labour force, or roughly 45 per cent, receive only primary education, while less than 9 per cent have vocational education that is crucial for industrial upgrading.<sup>23</sup> Thailand therefore faces the challenge of the middle-income trap as it fails to transform to a high-income economy. Tackling this problem has therefore become a major economic policy objective for the current government.

### ***Prospects for the Thailand 4.0 Project***

In the long run, the government will focus on its "Twenty-Year National Strategy" as a large umbrella to achieve its goals, under which the idea of "Thailand 4.0" specifically serves economic purposes.<sup>24</sup> The government initiated this economic

model as a platform to solve the problem of the middle-income gap. The core of the model is a knowledge-based economy, emphasizing research and development, science and technology, creative thinking and innovation. The model focuses on five key industries: biotech food and agriculture, bio-medicine, robotics and mechatronics, digital technology, and high-valued and creative services.

Thailand 4.0 was implemented by setting up the Eastern Economic Corridor (EEC) in Thailand's eastern seaboard. The government expects the EEC to attract and support investment in the aforementioned priority areas, hence becoming an important centre for trade, investment, regional transportation and a strategic gateway to Asia. The EEC covers the three provinces of Chachoengsao, Chonburi and Rayong. This area is already the country's major industrial and export zone and is equipped with the necessary infrastructure, including Thailand's largest deep-sea port at Laem Chabang. U-Tapao International Airport is also being upgraded to become the country's third major aviation hub, as the two existing airports in the Bangkok area are almost reaching capacity. Moreover, the ongoing Thai–Chinese high-speed railway project will also extend from Bangkok to this area at a later stage. The government, therefore, has high hopes of attracting more Chinese investment into this economic zone by promoting the EEC as a hub for regional connectivity within Beijing's infrastructure project, the Belt and Road Initiative (BRI).

Despite the new economic strategy to boost investment, some foreign investors are not confident that this project will be fruitful. Japan, as the largest foreign investor in Thailand, seems doubtful of the project's potential. Although Japan remains the biggest investor in Thailand, it has gradually reduced its investment by more than half since 2013, from nearly 350 billion baht to 120 billion baht in 2016.<sup>25</sup> Analysts point to several internal factors for the reduction of Japanese FDI, one of which is Thailand's unfolding political disunity, which is a major concern as it has the potential to bring instability in the future. Thailand's ageing population also affects the country's workforce and the economy. At the same time, Japanese investors now have more options in Thailand's neighbouring countries, with lower wages and younger populations.<sup>26</sup> The big challenge for the government, therefore, is to seek ways to manage the new economic strategy in order to improve the confidence of foreign investors and to slow down capital flight.

## **Foreign Relations: Improvement, but Still Imbalanced**

The main focus of Thailand's foreign relations in 2017 was on its relations with China and the United States. It is indisputable that China and the United States

are two major powers in Thailand's foreign policy calculations, and Thailand has traditionally managed to maintain good relations with both countries. However, Thai foreign policy posture lost a fine balance between the two following the 2014 military coup. Understandably, the strong reactions from Western nations against the military government have pushed Bangkok to rely more on Beijing, not only to benefit from China's economic expansion but also from its political support in the international community.

### ***Inescapable Dependence on China?***

However, Thailand's increasing dependence on China also means that Beijing can assert its influence over Thai policymaking to a certain degree. The case of the Thai–Chinese high-speed railway project is a good example.

Beijing's irritation over the slow progress of the project was revealed in the lack of an invitation for Prayut to attend the BRI Summit in Beijing in May 2017, despite a seemingly cosy relationship between the two countries since the 2014 coup. The official explanation, however, avoided linking the lack of invitation to the delay of the railway project. The Thai foreign minister explained that the Chinese government had already invited Prayut to the 9th BRICS Summit in Xiamen in September, therefore his attendance was unnecessary at this time. However, if one looks at the wider context, the link is highly possible.

The project has been delayed since 2010, when both countries agreed to a joint venture on a high-speed railway project connecting Thailand with another high-speed railway from Yunnan province to Laos. The delay was mainly due to the change of government during the political crisis in Thailand. There had been new hopes for the project as the military government, which had close ties with China, came into power. To the surprise of the public, the Thai and Chinese premiers announced at the Lancang–Mekong Cooperation Summit on 22–24 March 2016 in Hainan Province that Thailand would finance the project domestically and China would only invest a 60 per cent share in the rail system and train operations. A lengthy negotiation process continued on other technical issues, including material standards and the use of Chinese labour to construct the railway.

However, it is interesting to observe that Thailand sped up the process to approve the project a few months after the BRI Summit. Considering the failure to reach agreements over the past three years, the eighteenth meeting, which was held ten days after the BRI Summit, nearly reached a conclusion. The Thai Transport Ministry agreed to clear up the legal bottleneck in the project regarding the use of Chinese personnel and materials, which contravened Thai laws. In mid-July

the prime minister eventually exercised his prerogative under section 44 in the interim constitution to bypass all the legal obstacles. Essentially, it exempts Chinese engineers and architects from taking Thai professional licence exams and allows the use of up to 25 per cent of Chinese materials. The nineteenth meeting in early July concluded that the construction would start in October 2017. Considering how speedily these agreements were reached, it is likely Chinese leaders had employed diplomatic pressure to influence Thailand's decision-making.<sup>27</sup>

### ***Improved Ties with the United States***

The inauguration of Donald Trump as U.S. President in 2017 heralded a breakthrough for Thai–U.S. relations. In March 2017, President Trump made phone calls to the leaders of three Southeast Asian countries — the Philippines, Singapore and Thailand — with invitations to visit Washington. Bangkok embraced the invitation. The prime minister initially planned to visit Washington at the end of July but it was postponed to 2–4 October 2017.

Upon his return, General Prayut announced his achievement in cementing Thai–U.S. relations. Regaining international recognition from Western nations, especially the United States, had been a major foreign policy objective for the military government. And there had been earlier attempts to restore bilateral ties towards the end of the Obama administration. For example, Prayut had restated Thailand's interest in joining the Trans-Pacific Partnership (TPP) after attending the ASEAN–U.S. Summit in February 2016. However, the momentum waned because of the U.S. presidential election campaign and Thailand's decision-making processes.

The normalization of Thai–U.S. relations brought about several changes. Firstly, it marked a pragmatic approach between the two nations as longstanding security allies. Trump's invitation reaffirmed Thailand's strategic importance to the overall U.S. strategy in Southeast Asia. Secondly, the return to normal contacts between the two nations offered a chance for Bangkok to readjust its foreign policy position after heavily relying on China for political recognition since 2014.

In exchange for U.S. recognition, however, Thailand has pursued a “shopping diplomacy” — making promises to buy more American products and invest in the United States.<sup>28</sup> The list includes lifting the ban on importing American pork, and purchases of American arms, coal and Boeing aircraft. This exchange certainly justifies the United States' change in approach to the military regime, as it serves President Trump's “America First” campaign. However, critics worry

that U.S. approval of the regime and the abandonment of the human rights issue in its foreign policy would worsen the state of human rights and democracy in Thailand.<sup>29</sup>

Despite the fact that Thai–American relations have returned to normal, it is still a challenge for Thailand to maintain its footing on the tightrope, and the country may still face uncertainty with the U.S. card. As long as Thailand is under authoritarian rule, political legitimacy will always be a thorn in Bangkok’s flesh. As a smaller power, democratic deficit is a liability, not leverage, to Thai foreign relations, especially with liberal democracies. Moreover, it is unclear whether the U.S. Congress and other interest groups will try to restrain the White House from improving diplomatic ties with Thailand. After all, U.S. law prohibits the executive branch from providing full military assistance to foreign governments that came to power by way of a military coup.

Bangkok may face this uncertainty as long as the military is still in power. Thailand may not be able to readjust its position with Beijing as easily as optimists have expected. In contrast, Bangkok may have to give more reassurances to China that its renewed ties with Washington will not be at the expense of Thai–China relations. More policy concessions to China may be seen to help secure trust and support, especially when Thailand’s economic recovery may heavily depend on China. It will eventually complicate Thailand’s foreign policy if the tension between China and the United States is intensified in the future.

## Conclusion

It can be seen from the above discussion that 2017 has potentially set the course for Thailand for the years to come. Politically, despite uncertainties regarding the election timeframe, the military government may not be able to resist domestic and international pressure to restore the democratic system. Thailand will be heading towards a new election by at least early 2019. However, politics will reflect a new power-sharing in which the military explicitly establishes its major role, both in the legislature through the Senate and in policies through the enforcement of the Twenty-Year National Strategy.

It remains to be seen, however, how widely this power-sharing structure will be accepted and able to provide long-term stability. As the political contestation since the mid-2000s is still unfolding, the new structure may not be legitimate in the eyes of a large group of people, therefore possible tensions and conflicts cannot be ruled out in the future. Such political tension may intensify if the new rules become major obstacles to improving Thailand’s economic performance

and social well-being. In such a case, the new political economy will exacerbate existing socio-economic problems, especially poverty and inequality. Such political and socio-economic conditions have the potential to lead to a new round of power struggle.

It is apparent that the Thailand 4.0 model aims to revitalize and sustain the kingdom's economic vibrancy and to address the abovementioned socio-economic issues. The current policymakers have eyed China and have tried to synchronize their plans and connectivity with China's megaprojects, particularly the Belt and Road Initiative. Certainly, this strategy will benefit Thailand as long as China's economic performance remains high. This also puts Thailand at risk of being overdependent on China and makes the Thai economy vulnerable to future shocks. Economic diversification may help ameliorate this risk. Thailand will need to maintain and secure cooperation with its traditional economic partners such as Japan, the United States and European and Asian countries, while seeking new partners for more economic opportunities. When the path towards democracy becomes clear, confidence from foreign investors will likely resume to help Thailand achieve its policy objectives.

Economic diversification will also enhance Thailand's ability to recalibrate its foreign relations with external powers. Although relations with the United States improved in 2017, relations with its European counterparts are still at a low ebb. With democratic restoration in the future, Thailand would likely be able to resume its regular contacts with them. However, a major impediment in the future may be Thailand's poor record on human rights and freedom of expression. Considering the fact that the power of the military will remain strong, attempts to silence political opposition may continue through the implementation of the draconian law of *lèse-majesté* and the Computer Crime Act. This situation will not only tarnish the kingdom's international reputation but will also worsen Thailand's relations with liberal democracies.

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