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**BY THE NUMBERS: THAILAND'S PERFORMANCE ON INTERNATIONAL INDICES UNDER THAKSIN****Abstract:**

The West usually portrays Thailand's coup negatively. Middle class Thai generally regard it as last-chance attempt to save Thailand from becoming a failed state. Middle class Bangkok originally supported Thaksin, but turned against him in late 2005. Middle class support originally was essentially based on three key premises:

1. Thailand can put up with certain levels of corruption,
2. provided the government delivers a strong economy.

Government has always been corrupt, so continued corruption was not useful for determining how to vote.

3. Thailand needs to do more to address inequality.

The middle class was not originally against Thaksin's populist policies - early on, the policies seemed financially sustainable and gained support.

The data show that none of these hopes actually worked out.

Corruption: using Transparency International's Corruption Perception Index, percentiles can control for changes in number of countries from 1995 to 2013. Previous governments slowly improved Thailand's standing, but Thaksin made more rapid progress during his first term. Thailand reached the 33rd percentile in 2001 (from 17th in 1995), but reached the 61st percentile in 2005 and 2006. However, since 2007 Thailand has declined, and in 2013 it stood at 102 out of 175 countries, the 41st percentile. The drop was particularly rapid in 2012 and 2013.

Economic competitiveness: according to World Economic Forum, Global Competitiveness Reports, Thailand declined in competitiveness from 2006 to 2014. It was ranked 35th in 2006-2007, and 37th in 2013-2014. This slight overall decline masks serious problems on most indicators - Thailand showed strong improvement on 'financial market development', but declined on nine out of twelve indicators. The largest decline was 51 ranks on 'labor market efficiency', but 'institutions', 'higher education and training', 'technological readiness', and 'innovation' all showed declines of 25 ranks or more.

Inequality: World Bank data shows that Thailand made modest improvements in income distribution since 1992. The top 10 percent's share of income declined from 39% to about 31%. However, Thaksin's governments from 2001 substantially slowed the long-term trend toward more equitable income. Concentration of wealth at the top increased substantially the past few years, after little change from 2000 to 2010. Credit Suisse figures show that the top 10 percent increased

their share from 66.7% to 75% over 2011-2013. The top 1% increased their share from 38.5% to 50.6%.

Thus, the international indices show that Thaksinomics has resulted in a more corrupt, less competitive, and more unequal Thailand.

**Keywords:**

Thailand, corruption, competitiveness, inequality, Thaksin, Thaksinomics

**JEL Classification:** O53

## **Introduction**

Thailand's recent coup looks set to roll back many policies from over a decade of 'Thaksinomics', economic policies implemented by Thaksin Shinawatra and his proxy governments since 2001. In the West, Thaksin is generally regarded favorably, and the Western press mostly portrays the recent coup in a negative light, usually something about the traditional elite thwarting democracy to hang on to power. Middle class Thai, however, are more likely to regard the coup as a last-chance attempt to save Thailand from becoming a failed state, both politically and economically.

It is fair to ask whether this middle class perception is accurate. We examine data from a number of international indices which compare Thailand's performance to countries worldwide on a wide range of criteria. The Western press often portrays the middle class as simply protecting their relative privilege through alliance with the traditional elite. However, the data show that middle class fears have been very much justified. Thailand has declined dramatically over the past decade in nearly all indices, and is, indeed, in serious difficulty if the goal is a modern, prosperous, democratic society.

## **Initial middle class support**

The middle class was not originally anti-Thaksin. Thailand was just coming out of a period of hardship and austerity which had followed the 1997 economic crash. Initially, middle class voters hoped that Thaksin's reputed managerial expertise would foster more competent and efficient government. Middle class support was essentially based on three key premises:

1. Thailand can put up with a certain level of corruption,
2. as long as long as the government delivers strong economic progress.

After all, Thai governments had always been corrupt, so continued corruption was not considered a very useful issue for determining how middle class voters should vote. At any rate, Thaksin's early platform included an anti-corruption plank. ("If any of them [ministers] are found to be corrupt while working for me, I will get rid of them" (Thaksin, quoted in Bangkok Post, 18 February 2001; cited in Phongpaichit and Baker 2002, p. 7) Voters may or may not have believed it, but they did not think corruption would be substantially different under a Thaksin government.

Thaksin had cultivated an image of successful businessman, and claimed his management skills would allow him to manage the economy better. This was a seductive point after some years of painstaking efforts to recover from the 1997 economic crash (Phongpaichit and Baker 2002; Harker 2003).

3. economic progress needs to be more inclusive.

Middle class voters did feel that Thailand needed to do more to raise rural incomes, as well as reduce inequality through all sectors of society, rural and urban. This is quite different than what is often portrayed in the Western press. The middle class was not originally against Thaksin's populist policies – in the beginning, the policies seemed more

oriented toward reducing income and wealth disparities in financially sustainable ways, and they received broad support (Phongpaichit and Baker 2002; Harker 2003).

Bangkok gave Thaksin's Thai Rak Thai (TRT) party 29 of its 37 parliamentary seats in the 2001 election, and 32 of its 37 seats in February 2005 (Nogsuan 2007). However, Bangkok turned strongly against Thaksin in late 2005, due to growing perceptions of massive corruption and unease over the increasing consolidation of power in his hands.

Corruption scandals had already begun to surface by 2002. Of course, this was not unusual for Thai governments, but Thaksin had campaigned on a platform that included a strong anti-corruption message. Opinion polls in 2002 showed that controlling corruption was relatively high on the list of expectations of the TRT government. In terms of performance, the government was already rated low on corruption, although it was still perceived as doing well on a number of other important issues (e.g., Harker 2003). Bangkok did elect a Democrat (the main opposition) governor in 2004, even though it was not ready to vote for the opposition in the national election in 2005.

By 2006, however, the middle class had had enough. In Bangkok Metropolitan elections in July 2006, the Democrat party won by a landslide. Bangkok has not supported Thaksin's parties in local or national elections since then, and the opposition even gained a parliamentary seat in a mid-2013 by-election in one of the few Bangkok districts which had been considered a safe seat for Thaksin's proxy party. South Thailand, of course, never supported Thaksin in the first place, so now the main opposition is the South and Bangkok.

### **Authoritarian tendencies**

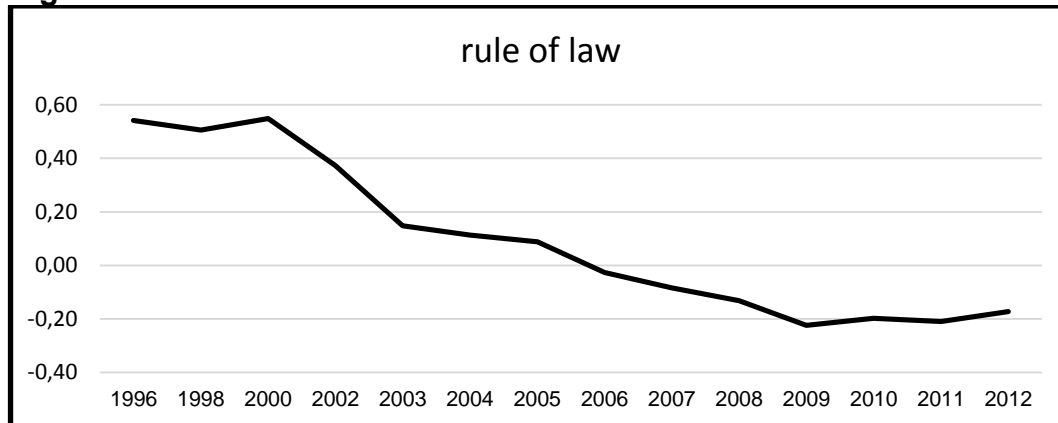
In power, it was quickly apparent that Thaksin had substantial authoritarian tendencies, as he attempted to run Thailand similarly to his top-down management style in his corporations. For example, the Economist commented in 2002:

“Indeed, if Mr Thaksin has one clear aim, it is to concentrate as much power in his own hands as possible. His current manoeuvrings could enlarge his coalition to the point where the opposition no longer has enough votes to launch a no-confidence debate or block a constitutional amendment. He appears to see little merit in checks and balances. When the Constitutional Court was reviewing his case, he wondered aloud whether an elected prime minister should have to submit to decisions by unelected judges. Unlike his predecessor, who made himself available for frequent interrogation by parliament, Mr Thaksin rarely sets foot in the building. He has spent much of his time in office castigating the press, academics, businessmen and anyone else who criticises him.” (Economist 2002)

Once elected, the ruling party did not seem to see much need to follow laws or the constitution. According to the World Bank's Worldwide Governance Indicators, 'rule of law' started declining substantially once Thaksin came to power, and the decline was not halted during several years of political infighting after the 2006 coup. Finally, under the opposition government which help power for a couple of years at the end of the decade,

the decline was halted, but there has been only slight rebound under them and then Pheu Thai which came to power in 2011 (Figure 1). This indicator aims to capture the “extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence” (WB WGI 2014). The Thai middle class tends to strongly support rule of law and all these related issues this indicator aims to measure, and were not at all happy with this sort of trend.

**Figure 1: Thailand in Worldwide Governance Indicators: ‘rule of law’**



note: scale goes from -2.5 (very poor) to +2.5 (very good)

source: World Bank. 2014. Worldwide Governance Indicators (1996-2012).

Thaksin’s administration also began reining in Thailand’s formerly relatively free press as soon as it came to power. Freedom House’s Freedom of the Press Index shows strong progress toward a more free press in the early 1990s, after which the index leveled out for a number of years with a relatively free press. Shortly after Thaksin took power, press freedom began to decline sharply, according to this index. After the 2006 coup, the rate of declining press freedom slowed considerably, but the slow erosion has continued under the various civilian governments since the 2006 coup (Figure 2).

**Figure 2: Freedom of the press in Thailand (Freedom House)**

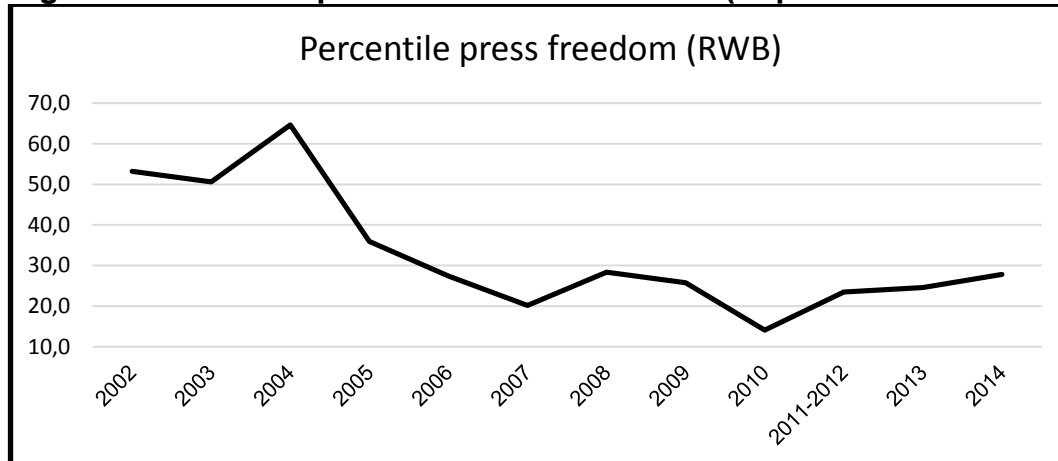


note: Low scores are more press freedom, high scores are less, on a scale from 0 – 100.

source: Freedom House. 2014.

The Reporters without Borders index of press freedom shows much the same pattern. In this case, we translated the scores into a percentile figure to show the percentage of countries with less press freedom (of those tracked in the index) than Thailand. Thailand declined rapidly during Thaksin's regimes and has not been able to recover since (Figure 3).

**Figure 3: Percentile press freedom in Thailand (Reporters without Borders)**



note: Percentile is percentage of countries with less press freedom than Thailand

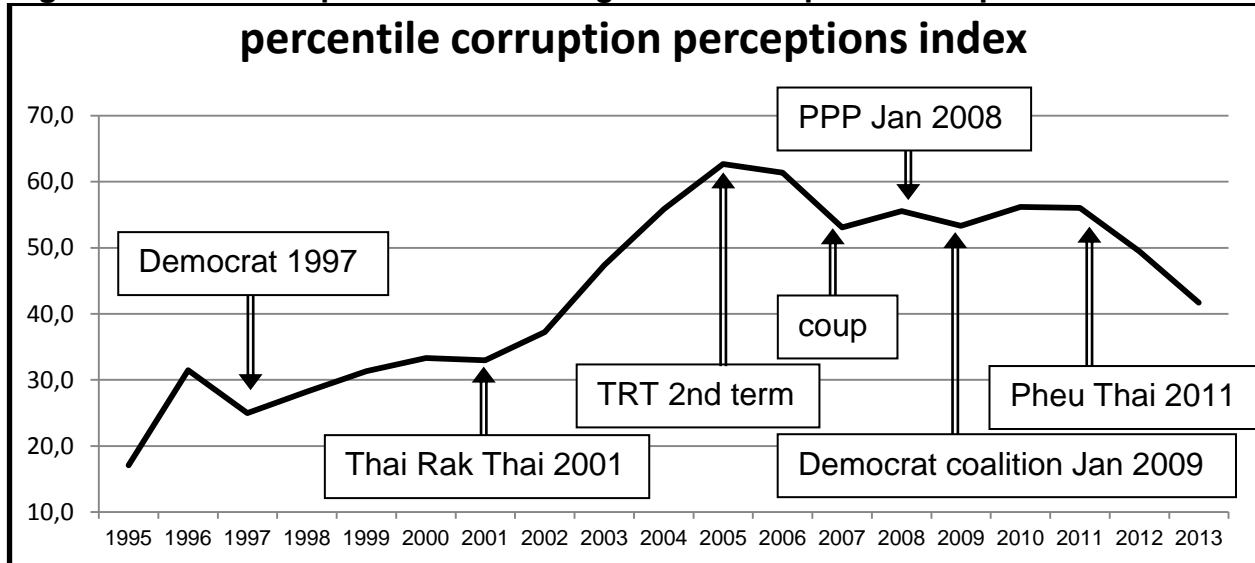
source: based on Reporters without Borders. 2014.

### Corruption

The middle class might possibly have been willing to put up with some authoritarianism had Thaksin delivered on the three key premises noted above. However, his governments performed poorly on all three. According to Transparency International's Corruption Perception Index (TI CPI 2014), previous governments had slowly improved Thailand's standing through the 1990s, but Thaksin seemed to be making more rapid progress during his first term. However, since 2007 Thailand's ranking has declined, and in 2013 stood at 102 out of 175 countries. Sometimes critics claim that simply looking at ranks is not a fair way to assess Thailand's corruption, because additional countries have come into the index over the years. For the TI CPI, the raw score did improve slightly until 2005, then fell back; however, changes in measurement make it difficult to compare the most recent few years.

Thailand does have to compete internationally, so it is most relevant to look comparatively. Thus, we calculated percentiles of Thailand's rank to control for the changes in the number of countries in the index from 1995 to 2013. Thailand had risen to the 33rd percentile in 2001 (from 17th in 1995), but reached just over the 60th percentile in 2005 and 2006 (Figure 4). However, by 2013, it had dropped to the 41st percentile. After Thaksin's party regained power in 2011 following a short interlude of opposition rule, the drop was particularly rapid in 2012 and 2013.

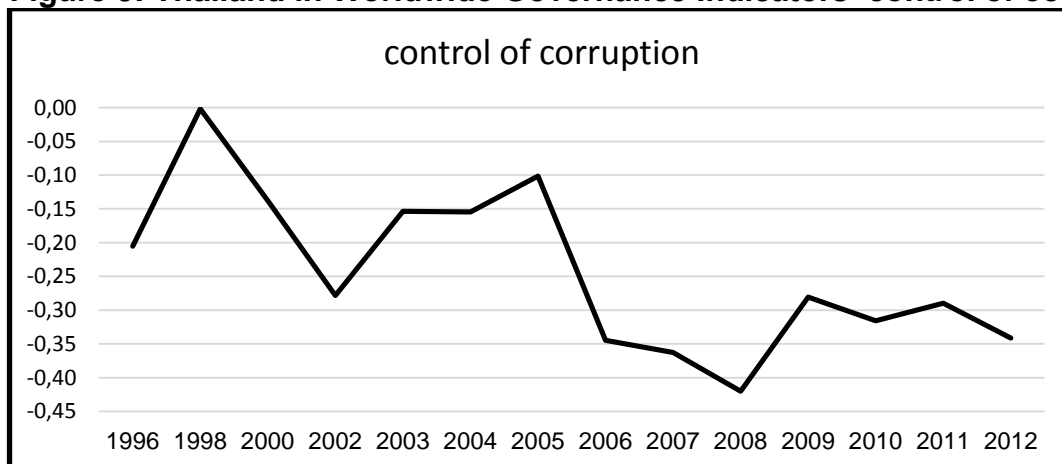
**Figure 4: Thailand's percentile standing in the Corruption Perceptions Index**



note: Percentile is percentage of countries more corrupt than Thailand in the CPI  
 source: based on: Transparency International 2014.

We also checked The World Bank's 'control of corruption' indicator in its Worldwide Governance Indicators. This shows much the same story, although with different measures, the details differ slightly. WGI does not report ranks, but it does report scores, in a consistent way over time. Using the scores rather than ranks, WGI also shows some improvement under the early years of TRT. However, Thailand's WGI score fell sharply again well before the 2006 coup. After the coup and under a succession of governments, both pro- and anti-Thaksin, the decline slowed and it recovered somewhat, with slight downward trend again in the past few years under Thaksin's proxy party (Figure 5).

**Figure 5: Thailand in Worldwide Governance Indicators 'control of corruption'**

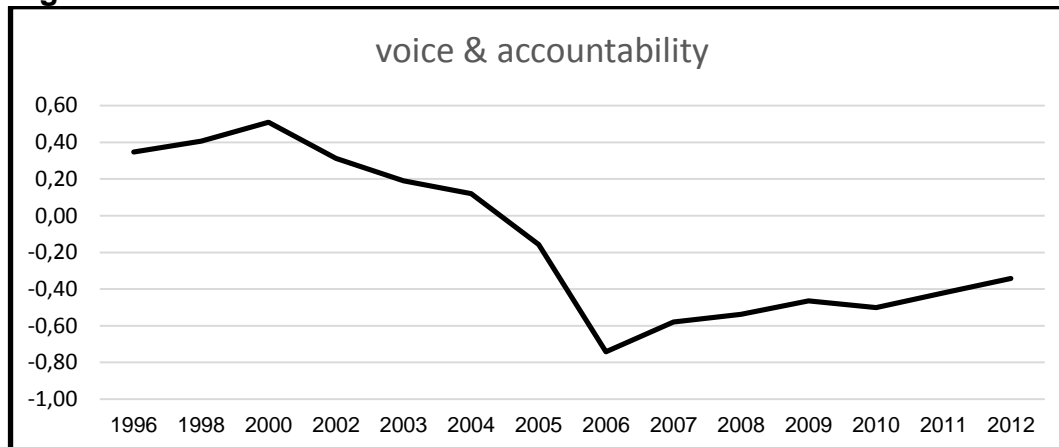


note: scale goes from -2.5 (very poor) to +2.5 (very good)  
 source: World Bank. 2014. Worldwide Governance Indicators (1996-2012).

WGI's 'voice and accountability' indicator also showed dramatic decline once TRT came to power in 2001. This indicator aims to capture the "extent to which a country's citizens

are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media” (WB WGI 2014). The middle class perceived that Thaksin was moving to consolidate power in his own hands and becoming increasingly intolerant of opposing views. Figure 6 shows that this indicator declined sharply under TRT, and has made slow recovery since the 2006 coup, probably largely because the coup and a following short-lived opposition government made some progress at strengthening the courts and several other independent institutions which the constitution envisioned as providing checks and balances on executive power.

**Figure 6: Thailand in Worldwide Governance Indicators ‘voice & accountability’**



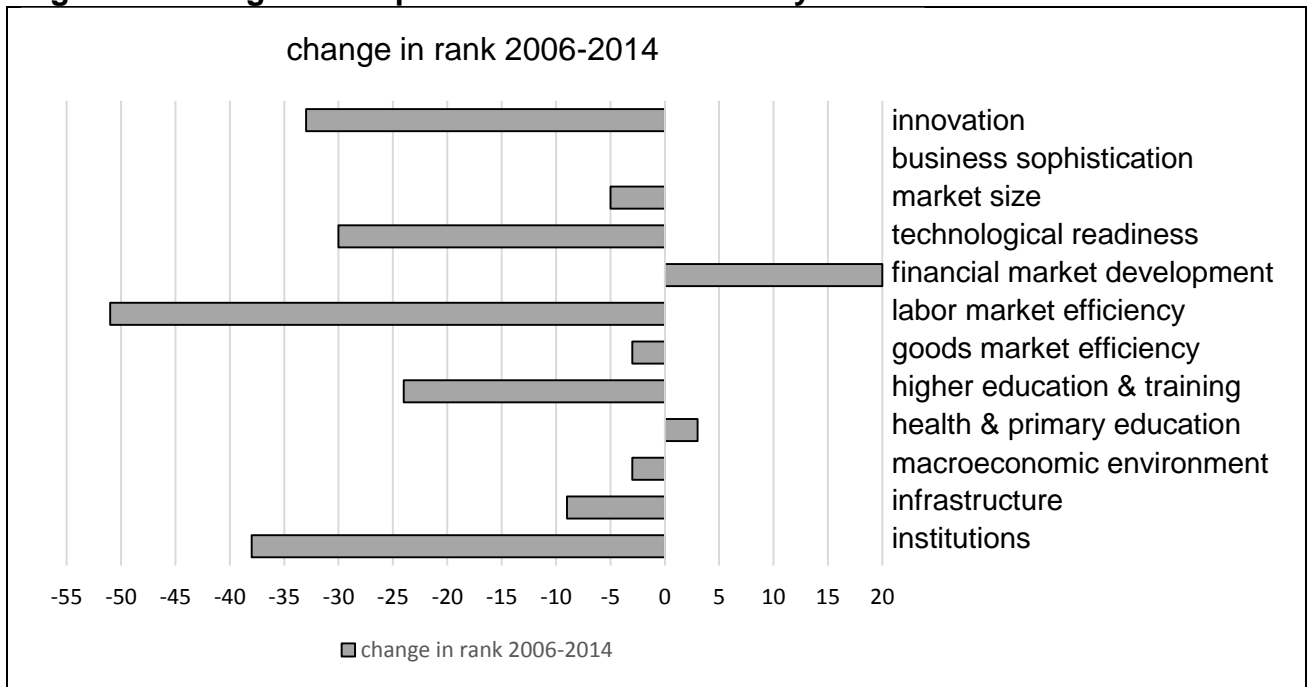
note: scale goes from -2.5 (very poor) to +2.5 (very good)

source: World Bank. 2014. Worldwide Governance Indicators (1996-2012).

### **Economic competitiveness**

Thaksin and his proxy parties do not seem to have been very adept at managing Thailand’s national economy. World Economic Forum, Global Competitiveness Reports (WEF GCR 2014) show that Thailand declined in competitiveness from 2006 to 2014. It was ranked 35th in 2006-2007, and 37th in 2013-2014. The situation is more serious than this slight overall decline might indicate –Thailand did improve on two macro-level indicators, financial market development and health and primary education. One indicator showed no change (business sophistication), while on nine indicators, Thailand declined. The largest decline was 51 ranks to 62nd on ‘labor market efficiency’, but ‘institutions’, ‘higher education and training’, ‘technological readiness’, and ‘innovation’ all showed declines of 25 ranks or more (Figure 7).



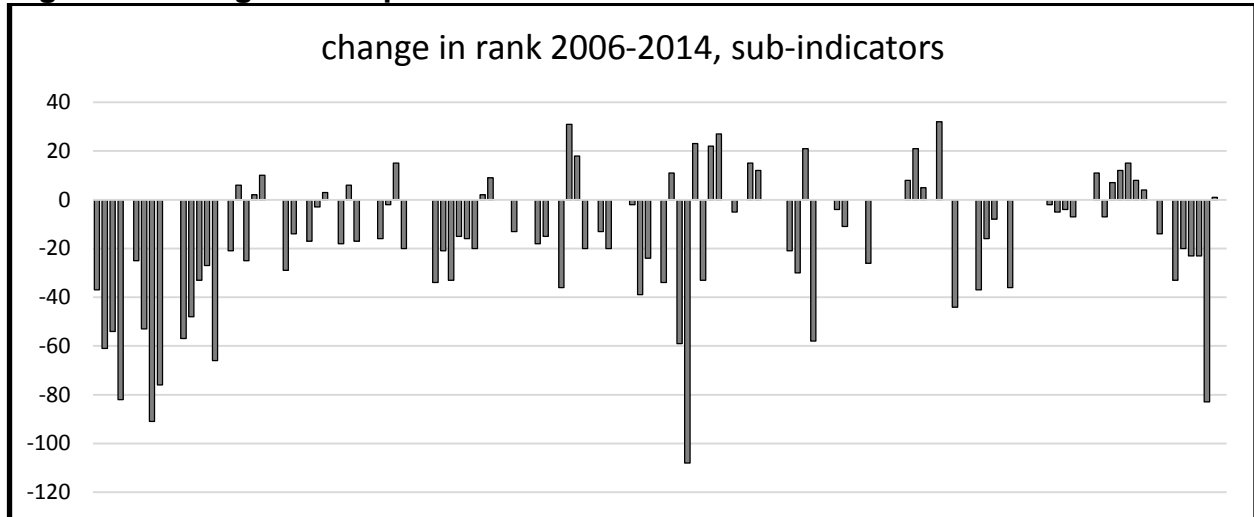
**Figure 7: Change in competitiveness rank on 12 key macro-indicators**

source: based on: World Economic Forum. 2014.

Examination of the whole set of sub-indicators shows the same story. Thailand declined on 67 sub-indicators, and advanced on only 28 during the period 2006-2014 (Figure 8). There was no change on one, and 18 of the indicators did not have data over the whole period so that a change in rank could be calculated. Many of the declines were quite substantial. Few of the advances were very large.

Prior to 2006, the data is not strictly comparable, because of changes in the set of indicators to enhance ability to track competitiveness. However, a smaller set of indicators is available, although it is not all published in readily accessible form. Summary statistics indicate that from 1998 to 2004, which covers most of TRT rule (2001-2006), Thailand declined six ranks in competitiveness. It advanced on only nine indicators, and declined on 62 of 71 sub-indicators used in the earlier version of the GCR. In terms of the number of sub-indicators showing decline, Thailand was one of the worst performers over this period (WEF GCR 2004/2005, p. 39-40).

**Figure 8: Change in competitiveness rank on 96 sub-indicators**

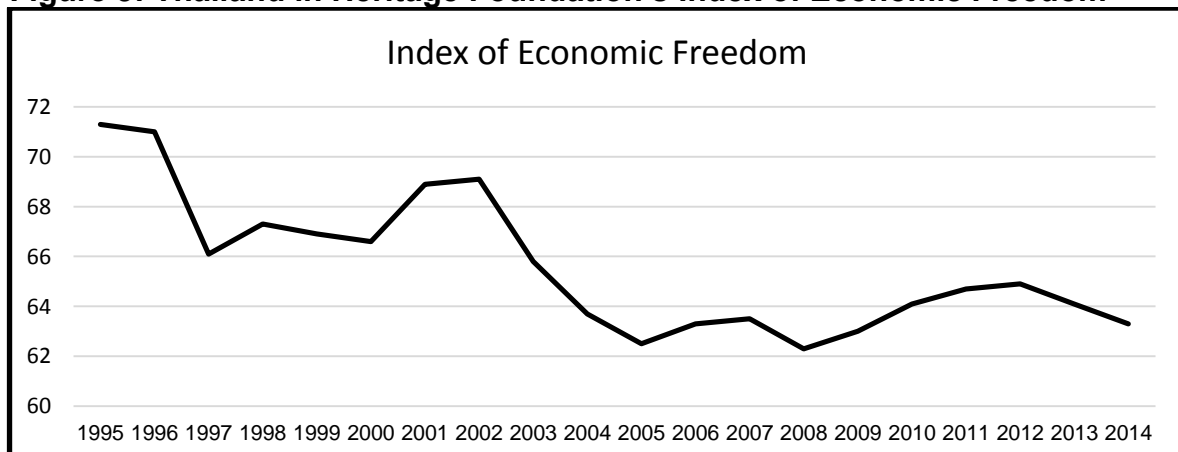


source: based on: World Economic Forum. 2014.

Heritage Foundation’s 2014 Index of Economic Freedom (HF 2014, Explore the Data) measures slightly different issues, but similarly shows a dramatic decline during TRT rule, with slight recovery 2006-2011, then decline again during the Phua Thai government 2011-2014 (Figure 9). Thailand’s ranking also declined in the run-up and immediate aftermath of the 1997 economic crash, but had been making some progress at recovery until TRT came to power. Heritage Foundation says about Thailand:

“Over the 20-year history of the Index, Thailand’s economic freedom score has declined by 7.9 points, one of the 20 biggest deteriorations. Rating gains in financial freedom, fiscal freedom, and trade freedom have been overwhelmed by substantial double-digit declines in the rule of law as measured by property rights and freedom from corruption. Progress toward greater regulatory efficiency has been relatively slow. Since 1997, Thailand has been downgraded to the ranks of the “moderately free” economies. (HF 2014, p. 421)

**Figure 9: Thailand in Heritage Foundation’s Index of Economic Freedom**

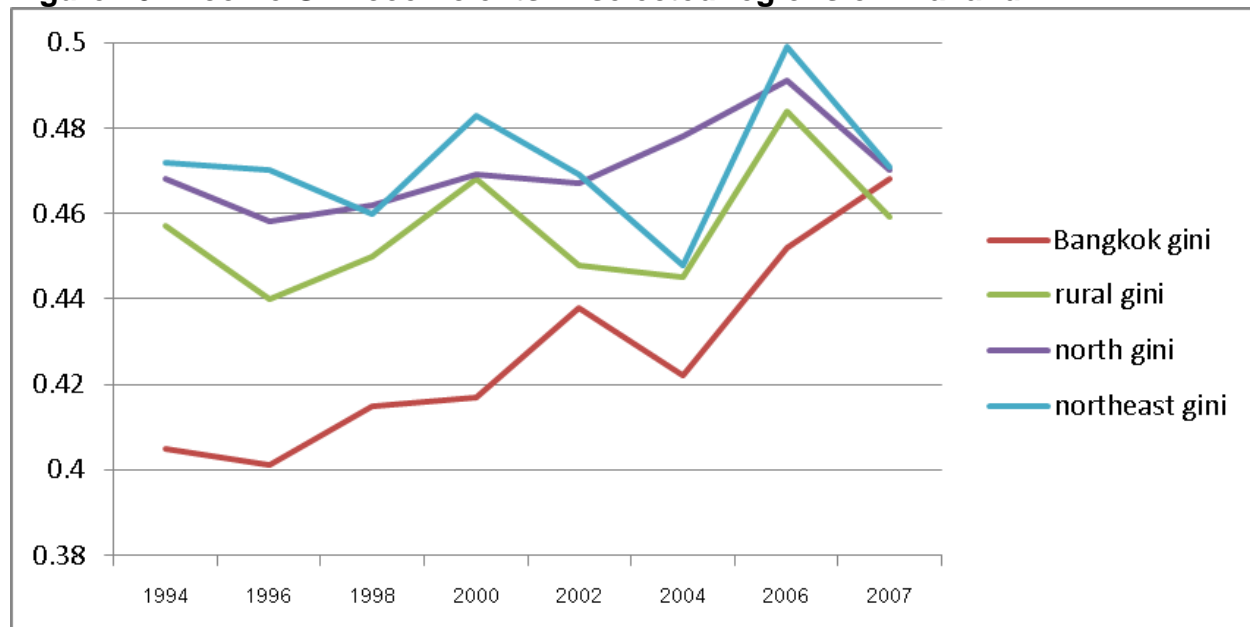


note: scores range from 0 (least economic freedom) to 100 (most)  
 source: Heritage Foundation. 2014. Explore the Data.

## Inequality

World Bank data shows that Thailand made modest improvements in income distribution over the past two decades (World Bank 2014). However, about two-thirds of this shift came from 1992-2001; Thaksin's governments substantially slowed the long-term trend toward more equitable income. According to Warr (2014), the annual rate at which poverty declined under Thaksin's 2001-2006 government was lower than the average rate over the previous three decades, even though global economic conditions during this period were generally even more favorable during much of that time. Thaksin's populist redistribution largely came at the expense of investment to enhance productivity; in particular, agricultural research and investment suffered. Many observers see these policies as contributing to Thailand's current 'middle income trap' (Warr 2014); where lower wage countries are gaining in industries in which Thailand has been strong, but Thailand lacks the means to move up to more knowledge intensive industries. Figures from the Thai Government Statistics Office show that the income Gini coefficient actually mostly increased both before and during Thai Rak Thai administrations in TRT's key constituencies, as well as, notably, in Bangkok (Figure 10).

**Figure 10: Income Gini coefficients in selected regions of Thailand**



source: Institute for Population and Social Research (IPSR), Mahidol University. 2010. (from Thai National Statistical Office)

Neither is income the whole story; in terms of wealth, there has been drastically increased concentration of wealth at the top in recent years under the Phua Thai administration, after little change from 2000 to 2010. . Figures in Goda (2014) show only slight change in the Gini wealth coefficient from 2000 to 2010 (from 71.0 to 70.1; i.e., marginal lessening of wealth inequality. However, in 2011 and 2012 concentration of wealth at the top increased strongly, and the Gini wealth coefficient was 79. Credit Suisse (2011, 2012, 2013) figures show that the top 10 percent increased their share of wealth from 66.7 to 75 percent over 2011-2013. The top 1 percent increased their share of wealth from 38.5 to 50.6 percent (Table 1).

**Table 1: Percentage of wealth by wealth level in Thailand**

	bottom 20%	bottom 60%	middle 30%	top 20%		top 10%	top 5%	top 1%
<b>2006</b>	0.5	12.5		69.5		na	na	na
<b>2011</b>	0.4	9.1	24.4	78.2		66.7	56.7	38.5
<b>2012</b>	0.3	8.0	22.0	80.5		70.0	60.7	43.1
<b>2013</b>	0.3	6.7	18.2	83.9		75.1	67.0	50.6

source: Credit Suisse Research Institute. 2013, 2012, 2011.

## Conclusion

The introduction to this article asks whether negative perceptions of the middle class about Thaksin's government and proxy governments are accurate. This look at a wide variety of international indices, as well as some data from the Thai government itself, shows a consistent pattern. Middle class worries do indeed seem legitimate.

Even major news magazines such as the economist recognized Thaksin's authoritarian tendencies as early as 2002. The World Bank's *Worldwide Governance Indicators* show Thailand's decline in rule of law, and both Freedom House's *Freedom of the Press* and Reporters without Borders' *World Press Freedom Index* show substantial decline in press freedom.

Corruption eventually increased substantially under Thaksin and his proxy governments, after an initial promising start to his administration in 2001, as shown in both Transparency International's *Corruption Perceptions Index* and the World Bank's *Worldwide Governance Indicators*. *WGI* also shows that government accountability declined drastically under TRT rule. The 2006 coup and follow-up reforms put some measures in place that allowed Thailand to slightly recover, although not back to the levels of pre-Thaksin administrations.

Thaksin's reputed economic management skills turned out to be somewhat illusory. The World Economic Forum's *Global Competitiveness Report* shows that Thailand has declined substantially in competitiveness since 2001. It has suffered major losses on a very wide range of competitiveness macro-level indicators and sub-indicators. The vast majority of the indicators show losses. Far fewer indicators show gain, which, when there is a gain, are mostly much smaller. Heritage Foundation's *Index of Economic Freedom* shows the same pattern of decline.

The Thai government's own statistics show a pattern of increasing income inequality during TRT rule, corroborated by other sources. The *Credit Suisse Global Wealth Databook* shows substantial redistribution of wealth to the top 10%, and especially the top 1%, during the most recent Phua Thai government.

It seems clear that these trends are not sustainable long-term if Thailand is to remain a viable, competitive economy, aiming at more democratic government and a more

inclusive social system. It may seem counter-intuitive, but at the moment, it seems that Thailand may have somewhat more chance of getting back on track to more democracy and a better economy under temporary military government.

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