Understanding ASEAN: Seven things you need to know
Southeast Asia is one of the world’s fastest-growing markets—and one of the least well known.
May 2014 | by Vinayak HV, Fraser Thompson, and Oliver Tonby

China remains the Goliath of emerging markets, with every fluctuation in its GDP making headlines around the globe. But investors and multinationals are increasingly turning their gaze southward to the ten dynamic markets that make up the Association of Southeast Asian Nations (ASEAN). Founded in 1967, ASEAN today encompasses Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam—economies at vastly different stages of development but all sharing immense growth potential. ASEAN is a major global hub of manufacturing and trade, as well as one of the fastest-growing consumer markets in the world. As the region seeks to deepen its ties and capture an even greater share of global trade, its economic profile is rising—and it is crucial for those outside the region to understand its complexities and contradictions. The seven insights below offer a snapshot of one of the world’s most diverse, fast-moving, and competitive regions.

1. Together, ASEAN’s ten member states form an economic powerhouse.

If ASEAN were a single country, it would already be the seventh-largest economy in the world, with a combined GDP of $2.4 trillion in 2013 (Exhibit 1). It is projected to rank as the fourth-largest economy by 2050. Labor-force expansion and productivity improvements drive GDP growth—and ASEAN is making impressive strides in both areas. Home to more than 600 million people, it has a larger population than the European Union or North America. ASEAN has the third-largest labor force in the world, behind China and India; its youthful population is producing a demographic dividend. Perhaps most important, almost 60 percent of total growth since 1990 has come from productivity gains, as sectors such as manufacturing, retail, telecommunications, and transportation grow more efficient.

Exhibit 1
ASEAN is one of the largest economic zones in the world; growth has been rapid and relatively stable since 2000.
To capitalize on these trends, however, the region must develop its human capital and workforce skills. In Indonesia and Myanmar alone, we project an undersupply of 9 million skilled and 13 million semiskilled workers by 2030.

2. **ASEAN is not a monolithic market.**

ASEAN is a diverse group. Indonesia represents almost 40 percent of the region’s economic output and is a member of the G20, while Myanmar, emerging from decades of isolation, is still a frontier market working to build its institutions. GDP per capita in Singapore, for instance, is more than 30 times higher than in Laos and more than 50 times higher than in Cambodia and Myanmar; in fact, it even surpasses that of mature economies such as Canada and the United States. The standard deviation in average incomes among ASEAN countries is more than seven times that of EU member states. That diversity extends to culture, language, and religion. Indonesia, for example, is almost 90 percent Muslim, while the Philippines is more than 80 percent
Roman Catholic, and Thailand is more than 95 percent Buddhist. Although ASEAN is becoming more integrated, investors should be aware of local preferences and cultural sensitivities; they cannot rely on a one-size-fits-all strategy across such widely varying markets.

3. **Macroeconomic stability has provided a platform for growth.**

Memories of the 1997 Asian financial crisis linger, leading many outsiders to expect that volatility comes with the territory. But the region proved to be remarkably resilient in the aftermath of the 2008 global financial crisis, and today it is in a much stronger fiscal position: government debt is under 50 percent of GDP—far lower than the 90 percent share in the United Kingdom or 105 percent in the United States.

Most of the region has held steady so far, despite concern about the effect on emerging markets of the potential end of quantitative easing by the US Federal Reserve. In fact, ASEAN has experienced much lower volatility in economic growth since 2000 than the European Union. Savings levels have also remained fairly steady since 2005, at about a third of GDP, albeit with large differences between high-saving economies, such as Brunei, Malaysia, and Singapore, and low-saving economies, such as Cambodia, Laos, and the Philippines.

4. **ASEAN is a growing hub of consumer demand.**

ASEAN has dramatically outpaced the rest of the world on growth in GDP per capita since the late 1970s. Income growth has remained strong since 2000, with average annual real gains of more than 5 percent. Some member nations have grown at a torrid pace: Vietnam, for example, took just 11 years (from 1995 to 2006) to double its per capita GDP from $1,300 to $2,600. Extreme poverty is rapidly receding. In 2000, 14 percent of the region’s population was below the international poverty line of $1.25 a day (calculated in purchasing-power-parity terms), but by 2013, that share had fallen to just 3 percent.

Already some 67 million households in ASEAN states are part of the “consuming class,” with incomes exceeding the level at which they can begin to make significant discretionary purchases (Exhibit 2).\(^3\) Defined as households with more than $7,500 in annual income (in purchasing-power-parity terms). That number could almost double to 125 million households by 2025, making ASEAN a pivotal consumer market of the future. There is no typical ASEAN consumer, but some broad trends have emerged: a greater focus on leisure activities, a growing preference for modern retail formats, and increasing brand awareness (Indonesian consumers, for example, are exceptionally loyal to their favorite brands).\(^4\) Arief Budiman et al., *The new Indonesian consumer*, December 2012, csi.mckinsey.com.

*Exhibit 2*
The number of consuming households in ASEAN is expected to almost double by 2025.
- Enlarge
Urbanization and consumer growth move in tandem, and ASEAN’s cities are booming. Today, 22 percent of ASEAN’s population lives in cities of more than 200,000 inhabitants—and these urban areas account for more than 54 percent of the region’s GDP. An additional 54 million people are expected to move to cities by 2025. Interestingly, the region’s midsize cities have outpaced its megacities in economic growth. Nearly 40 percent of ASEAN’s GDP growth through 2025 is expected to come from 142 cities with populations between 200,000 and 5 million.

ASEAN consumers are increasingly moving online, with mobile penetration of 110 percent and Internet penetration of 25 percent across the region. Its member states make up the world’s second-largest community of Facebook users, behind only the United States. But there are vast differences in adoption. Hyperconnected Singapore has the fourth-highest smartphone penetration in the world, and almost 75 percent of its population is online. By contrast, only 1 percent of Myanmar has access to the Internet. Indonesia, with the world’s fourth-largest population, is rapidly becoming a digital nation; it already has 282 million mobile subscriptions and is expected to have 100 million Internet users by 2016.
5. **ASEAN is well positioned in global trade flows.**

ASEAN is the fourth-largest exporting region in the world, trailing only the European Union, North America, and China/Hong Kong. It accounts for 7 percent of global exports—and as its member states have developed more sophisticated manufacturing capabilities, their exports have diversified. Vietnam specializes in textiles and apparel, while Singapore and Malaysia are leading exporters of electronics. Thailand has joined the ranks of leading vehicle and automotive-parts exporters. Other ASEAN members have built export industries around natural resources. Indonesia is the world’s largest producer and exporter of palm oil, the largest exporter of coal, and the second-largest producer of cocoa and tin. While Myanmar is just beginning to open its economy, it has large reserves of oil, gas, and precious minerals. In addition to exporting manufactured and agricultural products, the Philippines has established a thriving business-process-outsourcing industry. China, a competitor, has become a customer. In fact, it is now the most important export market for Malaysia and Singapore. But demand from the United States, Europe, and Japan continues to propel growth.5 5. “Ten of Asia's most dynamic export processing zones that you’ve never heard of,” *Asia Briefing*, April 24, 2014, asiabriefing.com.

Export-processing zones, once dominated by China, have been established across ASEAN. The Batam Free Trade Zone (Singapore–Indonesia), the Southern Regional Industrial Estate (Thailand), the Tanjung Emas Export Processing Zone (Indonesia), the Port Klang Free Zone (Malaysia), the Thilawa Special Economic Zone (Myanmar), and the Tan Thuan Export Processing Zone (Vietnam) are all expected to propel export growth. The region sits at the crossroads of many global flows. Singapore is currently the fourth-highest-ranked country in the McKinsey Global Institute’s Connectedness Index, which tracks inflows and outflows of goods, services, finance, and people, as well as the underlying flows of data and communication that enable all types of cross-border exchanges.6 6. For further details, see the full McKinsey Global Institute report, *Global flows in a digital age: How trade, finance, people, and data connect the world economy*, April 2014. Malaysia (18th) and Thailand (36th) also rank among the top 50 most connected countries. ASEAN is well positioned to benefit from growth in all these global flows. By 2025, more than half of the world’s consuming class will live within a five-hour flight of Myanmar.

6. **Intraregional trade could significantly deepen with implementation of the ASEAN Economic Community, but there are hurdles.**

Some 25 percent of the region’s exports of goods go to other ASEAN partners, a share that has remained roughly constant since 2003. While this is less than half the share of intraregional trade seen in the North American Free Trade Agreement countries of Canada, Mexico, and the United States and in the European Union, the total value is climbing rapidly as the region develops stronger cross-border supply chains.

Intraregional trade in goods—along with other types of cross-border flows—is likely to increase with implementation of the ASEAN Economic Community integration plan, which aims to allow the freer movement of goods, services, skilled labor, and capital. Progress has been uneven, however. While tariffs on goods are now close to zero in many sectors among the original six member states (Brunei, Indonesia, Malaysia, the Philippines, Singapore, and Thailand), progress on liberalization of
services and investment has been slower, and nontariff barriers remain a stumbling block to freer trade.

While deeper integration among its member states remains a work in progress, ASEAN has forged free-trade agreements elsewhere with partners that include Australia, China, India, Japan, New Zealand, and South Korea. It is also party to the Regional Comprehensive Economic Partnership trade negotiations that would form a megatrad ing bloc comprising more than three billion people, a combined GDP of about $21 trillion, and some 30 percent of world trade.

7. **ASEAN is home to many globally competitive companies.**

In 2006, ASEAN was home to the headquarters of 49 companies in the Forbes Global 2000. By 2013, that number had risen to 74. ASEAN includes 227 of the world’s companies with more than $1 billion in revenues, or 3 percent of the world’s total (Exhibit 3). Singapore is a standout, ranking fifth in the world for corporate-headquarters density and first for foreign subsidiaries.

**Exhibit 3**
ASEAN is home to 227 of the world’s largest companies; combined, it would be the seventh-largest host of such companies.
Consistent with this growth, foreign direct investment in ASEAN has boomed, surpassing its precrisis levels. In fact, the ASEAN-5 (Indonesia, Malaysia, the Philippines, Singapore, and Thailand) attracted more foreign direct investment than China ($128 billion versus $117 billion) in 2013. Based on data from Bank of America Merrill Lynch. In addition to attracting multinationals, ASEAN has become a launching pad for new companies; the region now accounts for 38 percent of Asia’s market for initial public offerings.

Despite their distinct cultures, histories, and languages, the ten member states of ASEAN share a focus on jobs and prosperity. Household purchasing power is rising, transforming the region into the next frontier of consumer growth. Maintaining the
current trajectory will require enormous investment in infrastructure and human-capital development—a challenge for any emerging region but a necessary step toward ASEAN’s goal of becoming globally competitive in a wide range of industries. The ASEAN Economic Community offers an opportunity to create a seamless regional market and production base. If its implementation is successful, ASEAN could prove to be a case in which the whole actually does exceed the sum of its parts.

**Gross domestic product in ASEAN, at current prices (nominal), in national currency**
as of December 2014

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Source: ASEAN Finance and Macro-economic Surveillance Unit Database (compiled/computed from data submission, publications and/or websites of ASEAN Member State and relevant government agencies, and from the International Monetary Fund World Economic Outlook (IMF WEO) Database October 2014.)
1. **Economy of Thailand**

Thailand is the only country in south-east Asia to have escaped colonial rule. Buddhist religion, the monarchy and the military have helped to shape its society and politics. The 1980s brought a boom to its previously agricultural economy and had a significant impact on Thai society as thousands flocked to work in industry and the services sector. Although Thailand’s recent governments have been civilian and democratically-elected, the country has seen turbulent times. The military governed, on and off, between 1947 and 1992 - a period characterised by coups, coup attempts and popular protests.

Thailand is famed for its colourful traditional dancers

**At a glance**
- **Politics:** Thailand has been in the grip of a political schism ever since former Prime Minister Thaksin Shinawatra was deposed by the military in 2006
- **Economy:** Thailand has an export-led economy, but tourism is also a major industry
- **International:** There have been clashes between Thai and Cambodian troops over disputed border regions since 2009
The collapse of the south-east Asian economic boom in 1997 led to public disillusion with free-market policies and encouraged the rise of populist Prime Minister Thaksin Shinawatra, who was reviled by the urban elites but enjoyed widespread support among the poor, particularly in rural areas. In September 2006, opposition to PM Thaksin came to a head and the military once again stepped into politics, carrying out a bloodless coup against him. The move kicked off a period of seesaw politics, marked by frequent attempts by pro-Thaksin “red-shirts” and anti-Thaksin “yellow-shirts” to use mass protests as a lever to eject the other side from power. Elections held at the end of 2007 as part of the military junta’s transition back to civilian rule handed power straight back to pro-Thaksin forces, who managed to stay in power for only a year before being ousted by mass anti-Thaksin rallies. The resulting anti-Thaksin coalition weathered frequent pro-Thaksin demonstrations - often by dint of military force - for four years before losing power in elections to a government led by Thaksin’s sister, Yingluck Shinawatra.

Yingluck Shinawatra managed to avoid triggering violent opposition on the scale of the protests that brought down several previous governments until late 2013, when an attempt to pass a political amnesty bill - which would have allowed Mr Thaksin to return from exile - brought mass protests back to the streets of Bangkok.

Conflict in south

Thailand has a minority Muslim, ethnic Malay population concentrated in its southern provinces. A decades-old separatist struggle in the region - which abated in the 1980s - flared again in 2004. The violence has claimed more than 5,000 lives. Thailand’s capital, Bangkok, expanded rapidly with the influx of workers during the boom years. It is one of Asia’s most vibrant and heavily-congested cities. The large-scale sex industry that flourishes there contributed to the incidence of HIV infection - a major concern for the government.

Thailand has taken the lead in the region in distributing cheaper generic drugs for Aids sufferers and awareness campaigns are credited with reducing the number of
new infections. Since 2009, Thai troops have sporadically clashed with Cambodian forces in several disputed areas along the two countries' border.
Yingluck Shinawatra, the youngest sister of ousted former prime minister Thaksin Shinawatra, led the opposition Pheu Thai party to a landslide victory in July 2011 and became Thailand's first woman prime minister.

Thailand enjoyed a period of relative stability for the first two years of Ms Yingluck's premiership.

In the country's first general election since 2007, Pheu Thai won 265 seats out of a possible 500 - enough to form a single-party government.

However, in what was seen as a shrewd political move, the party announced it would form a coalition with four smaller parties, thus broadening its support in parliament for promised reforms.

Ms Yingluck, aged 44 at the time of her election and a successful businesswoman, promised to bring stability and reconciliation to what had for some years been a deeply polarised country. However, critics were quick to point out her inexperience, given that she had never before run for office nor held a government post.

The influence of her brother, who was ousted in a 2006 military coup and convicted of graft two years later, loomed large throughout the election and beyond. Despite living in self-imposed exile, Thaksin Shinawatra is still seen by many as pulling the strings of government behind the scenes.

The opposition claimed that Ms Yingluck's primary role was to marshal the Thaksin faithful - the mainly poor rural voters who kept him in power - and serve as his proxy as he governed from abroad.

Though Thailand enjoyed relative stability for the first two years of Ms Yingluck's premiership, an attempt to pass a political amnesty bill in the autumn of 2013 - which would have allowed Mr Thaksin to return from exile without serving his jail term - reignited simmering political tensions.

The opposition brought its supporters out onto the streets in their tens of thousands, and mass protests continued for months.

In December, Ms Yingluck dissolved the lower house of parliament and called early elections for February 2014 in a bid to defuse the crisis. This does not appear to have satisfied the opposition, which continues to call for her to step down and has announced that it will boycott the elections.

Analysts say that despite the protests, Ms Yingluck still enjoys a strong rural support base, which could be enough to return her to power in the next elections.

Yingluck Shinawatra has degrees in politics and before running for election she had a corporate career in telecommunications and property. She is married and has one son.
Media

The government and military control nearly all the national terrestrial television networks and operate many of Thailand's radio networks. Multichannel TV, via cable and satellite, is widely available. The radio market, particularly in Bangkok, is fiercely competitive. There are more than 60 stations in and around the capital. The media are free to criticize government policies, and cover instances of corruption and human rights abuses, but journalists tend to exercise self-censorship regarding the military, the monarchy, the judiciary and other sensitive issues. There has been a surge in the use of laws which prohibit criticism of the monarchy to target journalists and activists who are critical of the government, US-based Freedom House said in 2011. The print media are largely privately-run, with a handful of Thai-language dailies accounting for most newspaper sales. There were 18.3 million internet users by December 2011 (InternetWorldStats.com). Pornographic sites, anti-monarchy sites and anti-government sites are subject to filtering. Many opposition sites and privately-owned news sites were blocked under a state of emergency in 2010.

The press
- Bangkok Post - English-language
- The Nation - English-language
- Daily News - mass-circulation Thai-language daily
- Thairath - mass-circulation Thai-language daily

Television
- Thai TV3 - operated by the Mass Communications Organization of Thailand (MCOT), a government agency
- TV5 - owned by Royal Thai Army
- BBTV Channel 7 - owned by Royal Thai Army
- Modern Nine (Channel 9) - operated by government agency MCOT
- Thai Public Broadcasting Service (TPBS) - public TV, created under 2008 legislation

Radio
- Radio Thailand - national network and external service operated by National Broadcasting Services of Thailand (NBT), part of government Public Relations Department
- MCOT Radio Network - run by government agency MCOT; operates stations in Bangkok and provincial networks
- Army Radio - network owned by Royal Thai Army

Internet
- MCOT online news - English-language pages
Timeline

Chronology of key events:

7th-10th cent AD - Hindu and Buddhist Dvaravati culture, thought to be of the ethnic Mon people, predominates.

Ruins of Sukhothai, capital of the first major Thai kingdom

10th-14th cent - Southern Thailand is ruled by the mainly Mon Lavo Kingdom, but with growing influence from the Khmer neighbouring Empire. (modern-day Cambodia). The Tai people - the antecedents of modern ethnic Thais - start to move southwards into the area.

1238-1448 - Thai-speaking Sukhothai kingdom expands its rule further south, coming to dominate much of modern-day Thailand, before being eclipsed by a rival Thai kingdom in the south, Ayutthaya.

1350-1767 - Ayutthaya kingdom gradually brings Thailand under its control and becomes a major power in Southeast Asia. At its greatest extent around 1600, it rules parts of modern-day Cambodia, Laos and Burma.

1448 - King Ramesuan joins Ayutthaya and Sukhothai in personal union.

1590-1605 - Reign of Naresuan. Seen as Ayutthaya's greatest king, he ends a period of Burmese overlordship and briefly conquers Cambodia and parts of southern Burma.

1767 - Invading Burmese forces sack the capital, Ayutthaya, bringing an end to the kingdom.
Thai Royal navy oarsmen in ancient warrior costume

**1768-1782** Under Taksin the Great, an ethnic Thai Chinese, the briefly-lived Thonburi Kingdom re-establishes Thai control. Taksin is toppled by a coup launched by General Chao Phraya Chakri, who founds a new dynasty centred on Bangkok.

**Rise of modern Thailand**

**1782** - Beginning of the Chakri dynasty under King Rama I, which rules to this day. The country is known as Siam. New capital of Bangkok founded.

**1804-1868** - Reign of King Mongkut (Rama IV), who embraces Western innovations and initiates Thailand's modernisation.

**1868-1910** - Reign of King Chulalongkorn. Employment of Western advisers to modernise Siam's administration and commerce. Railway network developed.

**1917** - Siam becomes ally of Great Britain in World War I.

**1932** - Bloodless coup against absolute monarch King Prajadhipok. Constitutional monarchy introduced with parliamentary government.

**1939** - Siam changes its name to Thailand ("Land of the Free").

**1941** - Japanese forces land. After negotiations Thailand allows Japanese to advance towards British-controlled Malay Peninsula, Singapore and Burma.

**1942** - Thailand declares war on Britain and US, but Thai ambassador in Washington refuses to deliver declaration to US government.

**Post-war uncertainty**

**1945** - End of World War II. Thailand compelled to return territory it had seized from Laos, Cambodia and Malaya. Exiled King Ananda returns.

Continue reading the main story
Capital: Bangkok

Bangkok, known as "Krung Thep" - City of Angels

- Population: 7.2 million
- Original settlement established by Chinese traders
- Became capital of Kingdom of Siam in 1782
- Subway cheers Bangkok commuters

1946 - King Ananda assassinated.


Short-lived civilian rule

1973 - Student riots in Bangkok bring about the fall of the military government. Free elections are held but the resulting governments lack stability.

1976 - Military takes over again.

1978 - New constitution promulgated.

1980 - General Prem Tinsulanonda assumes power.

1983 - Prem gives up his military position and heads a civilian government. He is re-elected in 1986.

1988 - General Chatichai Choonhaven replaces Prem after elections.

1991 - Military coup, the 17th since 1932. A civilian, Anand Panyarachun, is installed as prime minister.

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Temples

Wat Phrathat Doi Suthep temple is located near northern city of Chiang Mai

- 'Etiquette guide' for Thai monks
- Boom in Buddhist websites
- BBC - Religion Buddhism

1992 - New elections in March replace Anand with General Suchinda Kraprayoon. There are demonstrations against him, forcing him to resign. Anand is re-instated temporarily. Elections in September see Chuan Leekpai, leader of the Democratic Party, chosen as prime minister.


Financial turmoil

1997 - Asian financial crisis: The baht falls sharply against the dollar, leading to bankruptcies and unemployment. The IMF steps in. Chuan Leekpai becomes prime minister.

1998 - Tens of thousands of migrant workers are sent back to their countries of origin. Chuan involves the opposition in his government in order to push through economic reforms.

1999 - Economy begins to pick up again. Thai media highlight high cost of drug treatments for Aids and HIV. Thailand begins to put pressure on drugs companies to find ways to make the drugs cheaper.

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Drugs

Thousands were killed in controversial anti-drug drive

- Thai PM hails drug war success
- Thailand's bloody drug war


2001 June - Burma-Thailand border crossing, which was closed after clashes between the two countries' troops in February, re-opens after Thaksin visits Burma.

2002 May - Burma closes border with Thailand again after Thai army fires shells into Burma during battle between Burmese army and ethnic Shan rebels. Border reopens in October.

Temple row

2003 January - More than 500 Thai nationals are evacuated from Cambodia amid angry protests after remarks attributed to by a Thai actress that Cambodia "stole" its Angokr Wat temple complex from Thailand.

2003 February - Controversial crackdown on drugs starts; more than 2,000 suspects are killed. The government blames many of the killings on criminal gangs; rights groups say extra-judicial killings were encouraged by the authorities.

2004 January-March - Martial law is imposed in largely-Muslim south after more than 100 killed in a wave of attacks blamed on Islamic militants.

2004 February - More than 100 Islamic militants die in coordinated attacks on police bases in the south.

2004 October - 85 Muslim protesters die, many from suffocation, while in army custody following violence at a rally in the south. An enquiry concludes they were not killed deliberately.

Tsunami

2004 December - Thousands of people - both Thais and foreign tourists - are killed as when a massive tsunami, triggered by an undersea earthquake off the coast of
Sumatra, devastates communities on the south-west coast, including the resort of Phuket.
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**Hero for a time**

Policeman-turned-tycoon Thaksin Shinawatra transformed Thai politics but was ousted in a military coup

- Profile: Thaksin Shinawatra

**2005** March - Thaksin Shinawatra begins a second term as PM after his party wins February’s elections by a landslide.

**2005** July - As violent unrest continues in the south, Prime Minister Thaksin is given new powers to counter suspected Muslim militants in the region. In November the death toll in violence since January 2004 tops 1,000.

**2005** October - Thailand redoubles efforts to fight bird flu as fresh outbreaks of the disease are reported.

**Coup**

**2006** April-May - Snap election called by the PM amid mass rallies against him is boycotted by the opposition and is subsequently annulled, leaving a political vacuum. The PM takes a seven-week break from politics.

**2006** August - Prime Minister Thaksin Shinawatra accuses several army officers of plotting to kill him after police find a car containing bomb-making materials near his house.

**2006** 19 September - Military leaders stage a bloodless coup while Prime Minister Thaksin Shinawatra is at the UN General Assembly. Retired General Surayud Chulanont is appointed as interim prime minister in October.

**2007** January - Martial law is lifted in more than half of the country.

**2007** April - First draft of a new constitution is approved by a committee appointed by the military administration.

**2007** May - Ousted PM Thaksin Shinawatra's Thai Rak Thai party is banned. Thousands of soldiers are put on alert.

**2007** August - Voters approve a new, military-drafted constitution in a referendum.
Democracy restored

2007 December- General elections mark the first major step towards a return to civilian rule. The People Power Party (PPP), seen as the reincarnation of Thaksin's Thai Rak Thai (Thais Love Thais) party, wins the most votes. Continue reading the main story

Temple row

The Preah Vihear temple sparked a border standoff with Cambodia

- Q&A: Thailand-Cambodia temple dispute
- Tranquil temple at centre of a storm

2008 February - Return to civilian rule. Samak Sundaravej of the Thaksin-linked People Power Party (PPP) is sworn in as prime minister. Ousted premier Thaksin Shinawatra returns from exile.

2008 July - Pojaman Shinawatra, the wife of former prime minister Thaksin Shinawatra, is found guilty of fraud and sentenced to three years in jail. She is granted bail pending an appeal.

2008 August - Thaksin flees to Britain with his family after failing to appear in court to face corruption charges.

Unrest

2008 September - Opposition protesters occupy Bangkok's main government complex and begin mass anti-government protests calling for the resignation of Prime Minister Samak Sundaravej. Constitutional Court dismisses PM Sundaravej for violating a conflict of interest law by hosting two television cooking shows while in office. Somchai Wongsawat chosen by parliament as the new prime minister, but the street protests against the PPP government continue.

2008 October - Thai troops shoot dead two Cambodian soldiers in a firefight on the disputed stretch of the two countries' border, near the Preah Vihear temple. Thai Supreme Court gives fugitive former PM Thaksin Shinawatra a two-year jail sentence after finding him guilty of corruption over a land deal. Continue reading the main story
Hmong expulsion

The UN voiced concern over the fate of Hmong repatriated from Thailand
- UN seeks access to Hmong in Laos
- In pictures: Forced expulsion of the Hmong

2008 November - Tens of thousands of opposition People's Alliance for Democracy supporters rally around parliament in Bangkok and blockade Thailand's main airports in "final battle" to topple the government.

Anti-Thaksin forces in power

2008 December - Prime Minister Somchai Wongsawat is forced from office by a Constitutional Court ruling disbanding the governing People Power Party for electoral fraud and barring its leaders from politics for five years. Opposition leader Abhisit Vejjajiva forms a coalition to become Thailand's new prime minister, the country's third new leader in three months.

2009 March-April - Supporters of former PM Thaksin Shinawatra hold mass rallies against the government's economic policies.

2009 April - Continuing unrest forces the cancellation of an ASEAN summit after anti-government protesters storm the summit venue in the resort of Pattaya. PM Abhisit Vejjajiva moves troops into Bangkok to end an opposition protest sit-in. More than 120 people injured in resulting clashes.

2009 June - Leaders of the protest group that helped topple Thaksin Shinawatra apply to register themselves as the New Politics Party.

2009 November - Row with Cambodia grows over the appointment of Thaksin Shinawatra as an economic adviser to the Cambodian government. Cambodia takes over Thai-owned air traffic control firm.

2009 December - Up to 20,000 Thaksin supporters rally in Bangkok to demand fresh elections. Mr Thaksin addressed them by video-link. Thailand deports about 4,000 ethnic Hmong back to communist-ruled Laos, deeming them to be economic migrants. The UN and US expressed concern about their possible reception in Laos.

2010 February - Supreme Court strips Mr Thaksin's family of half of its wealth after ruling that he illegally acquired $1.4bn during his time as PM. Security forces placed on high alert amid fear of clashes with Thaksin supporters.
Red Shirts

2010 March-May - Tens of thousands of Thaksin supporters - in trademark red shirts - paralyse parts of central Bangkok with months-long protests calling for PM Abhisit's resignation and early elections. Troops eventually storm the protesters' barricades in a bid to break the deadlock and end the demonstrations. The death toll in the violence - the worst in the country's modern history - is put at 91.

2010 August - Thailand resumes diplomatic ties with Cambodia after Phnom Penh announces that ousted Thai PM Thaksin Shinawatra is stepping down as its economic advisor.

Continue reading the main story

Protest politics

Thailand's polarised politics has led to waves of mass protest

- Q&A: Thailand protests
- Profile: Thailand's reds and yellows

2010 November - Thailand extradites Russian national Viktor Bout to the US on charges of arms dealing, after months of legal wrangling. Russia says the move is a "glaring injustice" and politically motivated.

2011 January - Tensions rise as Cambodia charges two Thai citizens with spying after arresting them for crossing the disputed border.

2011 February - After an exchange of fire across the Thai-Cambodian border, the two countries agree to allow Indonesian monitors access to the area to prevent further clashes.

2011 April - Eighteen people are left dead after border dispute over land near the ancient Preah Vihear temple on the Thai-Cambodian sparks armed clashes.

Election sweep

2011 July - The pro-Thaksin Pheu Thai party wins a landslide victory in elections. Yingluck Shinawatra - the sister of Mr Thaksin Shinawatra - becomes prime minister.

2011 October - The government introduces a rice subsidy scheme with the aim of ensuring that farmers - who form the main part of Pheu Thai's social base in the rural north of Thailand - receive a guaranteed price for their rice crop. The scheme causes
government debt to soar, and the resulting increase in the price of Thai rice causes the country to lose its rank as the world’s number one rice exporter.

2012 June - Anti-government yellow-shirts blockade parliament to prevent debate on proposed reconciliation bill aimed at ending six-year-old political tensions. Group fears that a proposed amnesty would enable the return of ousted PM Thaksin Shinawatra.

2012 November - Police disperse 10,000-strong protest in Bangkok calling for overthrow of Prime Minister Yingluck Shinawatra. New Pitak Siam (Protect Thailand) movement led by retired Gen Boonlert Kaewprasit unites yellow-shirts and others who see the government as a puppet of exiled former PM Thaksin Shinawatra.

2012 December - Former Prime Minister Abhisit Vejjajiva is charged with responsibility for the death of a taxi driver shot by troops during anti-government protests in Bangkok in 2010.

Peace moves

2013 February - Government, Muslim separatists in south sign first-ever peace talks deal.

2013 April - Constitutional Court blocks moves by ruling Pheu Thai party to amend 2007 post-coup constitution.

2013 June - Government cuts guaranteed price for rice, provoking an angry reaction from farmers and protests in Bangkok. PM Yingluck Shinawatra reshuffles cabinet for fifth time, sacking commerce minister responsible for rice price subsidy cut and taking on defence portfolio herself.

2013 July - Government, Muslim separatists in south agree to Ramadan ceasefire.

2013 November - Tens of thousands of opposition supporters protest in Bangkok against a proposed political amnesty bill that critics say would allow ousted leader Thaksin Shinawatra - the brother of Prime Minister Yingluck Shinawatra - to return to Thailand without facing jail.

2013 December - In response to opposition pressure, PM Yingluck Shinawatra announces that early elections will be held in February 2014 but rejects calls for her to step down in the meantime. Former prime minister Abhisit Vejjajiva charged with murder over 2010 crackdown on demonstrators in which more than 90 people died. Mr Abhisit, leader of the opposition Democrat Party, denies the charges and is granted bail. The opposition says that it will boycott the February elections

2014 February - General elections go ahead but the Constitutional Court declares them invalid because of disruption by the opposition.

2014 May - Constitutional Court orders Prime Minister Yingluck Shinawatra and several ministers out of office over alleged irregularities in appointment of security adviser.
2. Thai Politics

Democracy in Thailand (From New York Times)

By THE EDITORIAL BOARD

Protesters are again threatening the fragile political stability of Thailand. The government of Prime Minister Yingluck Shinawatra has called early elections, which have been scheduled for Feb. 2, but demonstrators aligned with the opposition Democrat Party are not satisfied. They want the elected Parliament to be replaced with a people’s council of appointed technocrats and say they will do everything they can to block the election.

The latest protests started when Ms. Yingluck, who was elected in 2011, tried to push through an ill-conceived amnesty law that would have pardoned people involved in the country’s often violent political conflicts of the last decade, including her controversial brother Thaksin Shinawatra, who lives in exile in Dubai because he was found guilty of corruption by a Thai court. The Senate voted down the law, but Suthep Thaugsuban, the protest leader and a former leader of the opposition Democrat Party, says he and his followers won’t give up until Ms. Yingluck steps down and her family is permanently barred from the country’s political system.

The protesters have been trying to persuade the military, which has a history of deposing elected governments, to declare support for their demands. Thankfully, the generals have declined to intervene and have offered help in holding a “fair and clean” election. Thailand, a constitutional monarchy, can ill afford another military government or a technocratic autocracy.

Mr. Suthep and his followers — who are mostly from the capital, Bangkok, and represent the middle class and economic elite of the country — are playing a cynical and dangerous game. They have concluded that there is no way the Democrat Party, which has lost every election since 1992, can win against Ms. Yingluck’s Pheu Thai Party, whose populist policies like free health care and subsidies for rice farmers has earned it the loyalty of many voters, especially those in northern and northeastern Thailand. If they manage to depose the Ms. Yingluck’s government, the supporters of Pheu Thai will likely take to the streets as they did in 2010.

Mr. Suthep has said that no elections should take place until the country enacts political reforms, but he has refused to specify those reforms. Instead of undermining democracy by trying to prevent the election, Mr. Suthep and Democrat Party leaders should participate in the election and offer proposals for the changes they think the country needs.

Ms. Yingluck should stop further efforts to bring her brother back and turn her attention to the weakening economy. The International Monetary Fund recently recommended that the country invest in infrastructure and education to boost its growth rate. Once considered one of Asia’s “tiger” economies, Thailand has struggled in recent years partly because of its political turmoil. The current chaos could become another major setback.
The Last Gasp of Thai Paternalism

By DUNCAN MCCARGO

New York — Thailand is not one democracy, but two. In the 1990s the Thai political scientist Anek Laothamatas argued that the middle classes of Bangkok, educated and sophisticated, opposed corruption and embraced democratic values, while the uneducated masses in the rest of the country were susceptible to manipulation by unscrupulous politicians. This narrative is now being repeated by the middle-class Bangkokians who have recently taken to the streets en masse and occupied government buildings, forcing Yingluck Shinawatra, the democratically elected prime minister, to call for early elections in February.

In fact, the protesters themselves are proving Mr. Anek wrong. Now it’s the urban middle classes who are being manipulated by wayward politicians — like Suthep Thaugsuban, a former deputy prime minister who resigned from Parliament last month to lead the demonstrations — and who oppose holding fresh elections. And it’s the voters from the countryside who are backing electoral democracy.

Most administrations have traditionally comprised unstable coalitions of warring factions, which means the traditional elites in the military, the royal palace and the judiciary called most of the shots because they could bring down prime ministers at will. Monarchism is to Thailand what Kemalism is to Turkey: a founding principle that the military can always invoke to justify seizing power on grounds of national security.

At least that was the case until 2001, when Thaksin Shinawatra, Ms. Yingluck’s older brother, won his first election, paving the way for the victory of pro-Thaksin parties in 2005, 2006, 2007 and 2011. An upstart Chiang Mai police officer turned telecommunications magnate and then political hustler, Mr. Thaksin is a controversial and polarizing figure. He was ousted in a military coup in 2006. Now in exile abroad, he faces jail time should he return home. Yet he has managed to consolidate power in the hands of a dominant ruling party, which has survived two court-mandated dissolutions and other judicial challenges.

Thailand’s oldest political party, the Democrat Party, last won an election in 1992; its conservative, pro-bureaucracy bases in Bangkok and the south are not big enough for it to secure a national majority. And this very sore loser is now playing a central role in trying to oust an elected government. Its members have resigned from Parliament and joined the demonstrators who are calling for an end to the broader “Thaksin regime” and claiming that pro-Thaksin politicians have been buying rural voters.

But the protesters are failing to grasp that the Shinawatra family is simply the astute beneficiary of seismic changes in Thailand’s political economy. Although money undoubtedly plays a role in all Thai elections, Mr. Thaksin, Ms. Yingluck and their parties have built up a huge and genuine following, especially in the very populous northern and northeastern parts of the country.

Full-time farmers hardly exist in these regions any more. They have become urbanized villagers: provincials only on paper, who have migrated to work in greater Bangkok but vote in their home provinces. General elections in Thailand are now determined by some 16 million or more urbanized villagers, who make up around a third of the total electorate.

Urbanized villagers have incomes not much lower than their urban middle-class counterparts, but they are often in debt, have insecure employment and have to work more than one job. Unlike the villagers of old, they are not interested in subsistence agriculture; they want to enjoy the benefits of consumer society and send their children
to university. Like most Democrat Party supporters, they dream of socio-economic advancement, yet for more than a decade, the pro-Thaksin parties have locked in their support with populist policies such as subsidized healthcare programs and village-development funds to promote small businesses.

The current antigovernment protests in Bangkok are the last gasp of Thai dynastic paternalism. They reflect the determination of the old elite and its middle-class allies to check the rising power of the formerly rural electorate by bringing down the Yingluck administration. They are calling for the creation of a “people’s assembly,” an unelected temporary governing body representing different occupational groups that would oversee a process of political reform — in effect, a dictatorship of the capital over the rest of the country.

The protests are taking place in a climate of growing national anxiety. This nervousness has several sources: fears about royal succession, as the long reign of King Bhumibol Adulyadej approaches its twilight; fears about secession, as one of the world’s worst insurgencies by Malay-Muslim separatists continues to rage in the southern provinces; fears about alienation, as pro-Thaksin groups have established thousands of “red-shirt villages” in the increasingly psychologically isolated north and northeast — and above all, fears among Bangkok’s middle classes about being outvoted by low-class urbanized villagers.

It was all so unnecessary. Just a few weeks ago, Ms. Yingluck was governing Thailand with the tacit support of the military and the monarchy. Her government had numerous failings, but for two and a half years there had been no serious political protests and the country’s deep divisions had been largely papered over. A new pact among the pro-Thaksin and pro-royalist elites is urgently needed. This time, however, it should be broadened to engage the wider public. More urbanized villagers should be allowed to register to vote in and around Bangkok. Power should be decentralized in favor of the provinces, with some form of autonomy granted to the troubled south.

Instead of occupying ministry buildings in Bangkok, the Democrats would do well to make serious attempts to woo provincial voters. Urbanized villagers cannot be wished away by the Bangkok elites; they rightly expect to share the benefits of Thailand’s remarkable economic success. When they no longer are treated as underdogs, their pragmatic ties with pro-Thaksin parties will wither — and Thailand will stop being two democracies and become one unified nation.

Duncan McCargo is professor of Southeast Asian politics at the University of Leeds and a senior research affiliate at Columbia University.

Thai Opposition Party Will Boycott February Elections as Large Protests Continue
Porchrai Kittiwongsakul/Agence France-Presse — Getty Images
The leader of Thailand’s Democrat Party, former Prime Minister Abhisit Vejjajiva, spoke during a news conference in Bangkok on Saturday.

By THOMAS FULLER
Published: December 21, 2013

Abhisit Vejjajiva, the leader of the Democrat Party, which is Thailand’s oldest political party and has its power base in the country’s old moneyed elite, said that politics was at a “failed stage” and that the elections would be the “same old power grab” by the governing party and its allies.
“The election on Feb. 2 is not the solution for the country,” Mr. Abhisit, a former prime minister, said after meeting with party leaders on Saturday. “It will not lead to reform.”

The Democrat Party and the protesters are deeply frustrated by the electoral power and influence of Thaksin Shinawatra, a tycoon who founded the country’s most successful political movement and whose sister, Yingluck Shinawatra, is prime minister. They accuse Mr. Thaksin of subverting democracy through corruption and populist policies.

The government counters that the opposition is afraid of elections because it will lose, an electoral calculation supported by many scholars who say the ruling Pheu Thai Party has created a strong base with its policies.

Chaturon Chaisang, the education minister and a senior member of the governing party, accused the Democrat Party of “setting conditions for a possible coup d’état.” The last time the Democrats boycotted elections was in 2006, another period of political turmoil, which culminated with a coup against Mr. Thaksin.

The current political crisis, which comes during the high season for tourism in Thailand and a fragile time for the Thai economy, has brought the military back to the forefront of politics. Protesters are openly asking for the military’s backing, and military leaders have helped arrange meetings between the government and its detractors.

The head of the army, Gen. Prayuth Chan-ocha, said on Friday that the crisis “must be solved through political means,” and warned of “battles between people” if political differences are not resolved.

The announcement of the election boycott came on the eve of a large demonstration planned for Sunday, the latest in a series of marches that have drawn hundreds of thousands of protesters. At the height of the protests several weeks ago, demonstrators took over some government buildings. They have since ceded control of the buildings, but have not stopped the marches.

The boycott builds on the protesters’ call for “reform before elections,” an ambitious plan beyond the scope of the Thai Constitution.

Suthep Thaugsuban, the charismatic leader of the protests, has called for the creation of an unelected legislature called a People’s Council that would be partly composed of citizens from various professions and partly appointed by Mr. Suthep and other protest leaders. He hopes that such a council would pass new electoral laws, end the longstanding practice of vote buying, overhaul the police force, allow any citizen to bring corruption charges against government ministers and other senior officials, and abolish the populist policies that have made Mr. Thaksin’s political movement so popular in the northern half of the country. “When everything is settled,” Mr. Suthep said last week, “we will go back to elections.”

The prime minister, who called the February elections this month in an attempt to end the protests, has rejected the demands. Earlier on Saturday, she proposed a “reform assembly,” so far vaguely defined, that would be formulated after the elections.

Ms. Yingluck has spent most of the past week in election mode, visiting the populous northern and northeastern parts of the country. Many voters, especially the less affluent, are grateful for policies such as universal health care and an increase in the minimum wage.

While the Democrats are by far the largest opposition party, a number of smaller parties, including a provincial party led by former Prime Minister Banharn Silpa-archa, have indicated they are ready to contest the election.

And in a vivid symbol of the mercurial alliances in Thai politics, the man who led the coup in 2006, Sonthi Boonyaratglin, said his party was also ready to participate.
The protesters, including many present and former members of the Democrat Party, have said the power of their movement should be judged by the large number of protesters on the streets. Government supporters have scoffed at this logic, saying popularity should be judged in the voting booth.

“If you really have such huge numbers of people,” said Jatuporn Prompan, a leader of a political faction that supports the government, “why are you opposing the election?”

A version of this article appears in print on December 22, 2013, on page A20 of the New York edition with the headline: Thai Opposition Party Will Boycott February Elections as Large Protests Continue.

Pheu Thai: Protest hurting economy

- Published: 7 Jan 2014 at 14.15

The anti-government rally has severely affected business in Bangkok, particularly the capital markets, Pichai Naripthaphan, a former energy minister and Pheu Thai economic team member, said on Tuesday.

Mr Pichai was responding to comments by Pramon Sutheewong, chairman of the business-based Anti-corruption Organisation of Thailand, who said after a meeting with the Democrats that he supported the Bangkok shutdown planned by the People’s Democratic Reform Committee (PDRC). He said it would have not much impact on the business sector.

Since the PDRC protest began, the Stock Exchange of Thailand main index had gone down more than 200 points, reducing market capitalisation by more than two trillion baht, said Mr Pichai, a member of the Pheu Thai economic team.

On the first day of the capital shutdown declaration, the SET index dropped more than 67 points, reducing the daily trade value by more than 58 billion baht, he said.

If the capital flow was really shut down, the stock market would sink. It would affect the tourism sector because foreign tourists would cancel plans to visit Thailand. Moreover, confidence in Thailand would drop to its lowest level, causing the country an opportunity lost. The shutdown would cause severe economic damage to the country, Mr Pichai predicted.

At least 60 international flights into Bangkok had been cancelled on Monday. Some foreign investors had already moved their investment bases from Thailand to neighbouring countries, he added.

3. Monetary of Thailand

Development of the Monetary of Thailand
The Bank of Thailand Act, B.E. 2485 (1942) was enacted in 1942 during the Second World War. The BOT Act specified a mandate for the Bank of Thailand to conduct the business of central banking, with various functions as specified by the Royal Decree Regulating the Affairs of the Bank of Thailand added subsequently. The Act did not make any clear statement about monetary policy but it gave power to the Court of Directors to set the Bank Rate which was the interest rate under the Bank's lender-of-last-resort facility. It also empowered the Bank to buy and sell debt instruments and foreign exchange and to extend credits to financial institutions against eligible collateral. These transactions would not be carried out with a view for profit. Therefore, although monetary policy objectives were not explicitly stipulated in the Bank of Thailand Act, in practice the Bank has always regarded the maintenance of monetary and financial stability as its primary goal, both of which are necessary in achieving sustainable economic growth over the long run.

The development of the monetary policy framework in Thailand can be divided into 3 periods.

1. **Pegged exchange rate regime** (Second World War - June 1997): This regime was first adopted after the Second World War. The value of the baht was initially either pegged to gold, a major currency, or to a basket of currencies. The basket regime was adopted from November 1984 until June 1997. During this period, the Exchange Equalization Fund (EEF) would announce and defend the value of the baht against the U.S. dollar daily. Given the environment at the time, a fixed exchange rate was deemed to be the best monetary policy regime which would support long term economic growth.

2. **Monetary targeting regime** (July 1997 - May 2000): After the adoption of the floating exchange rate system on 2 July 1997, Thailand received financial assistance from the International Monetary Fund (IMF). While the IMF program, a monetary targeting regime was adopted. Under this regime, the Bank targeted domestic money supply using the financial programming approach in order to ensure macroeconomic consistency as well as to reach the ultimate objectives of sustainable growth and price stability. The Bank would set the daily and quarterly monetary base targets, on which its daily liquidity management was based. Daily liquidity management was essentially aimed to ensure against excessive volatility in interest rates and liquidity in the financial system.

3. **Inflation targeting regime** (23 May 2000- present): After the IMF program, the Bank made an extensive reappraisal of both the domestic and the external environment and concluded that the targeting of money supply would be less effective than the targeting of inflation. The main cause for change was that the relationship between money supply and output growth became less stable over time, particularly since the financial crisis. With the exit from the IMF program, it became necessary for authorities to identify a new policy anchor which would be appropriate for Thailand. The Bank of Thailand announced the adoption of inflation targeting in May 2000, with a main objective of maintaining price stability. Given the institutional reforms required for an inflation targeting framework to operate successfully, it was envisaged that inflation targeting...
would help rebuild confidence and credibility of the central bank and monetary, going forward.

Under the inflation targeting framework the Monetary Policy Board (MPB) was first appointed on 5 April 2000 and vested with the power to decide monetary policy by the Governor. The MPB, with 9 members, comprised distinguished external experts and the top management of the Bank. The MPB had the authority to set the direction of monetary policy with price stability as the overriding objective, and also to refine the inflation targeting framework to suit the Thai economy. At present, however, the Monetary Policy Council, comprising 7 members - 3 from the Bank of Thailand and 4 external members - is responsible for deciding on the direction of monetary policy. The new Bank of Thailand Act, B.E. 2551 (2008) was enacted on 3 March 2008. The new BOT Act clearly states the Bank of Thailand's objectives and responsibilities as the nation's central bank, in maintaining monetary stability, stability of the financial system, and stability of the payments system.

**Thailand’s Readiness for the ASEAN Economic Community: Strengths and Weaknesses for Integration**

Sources : http://academic.bu.ac.th/2012/images/article-img/asian-aec.gif

As I was recently invited to participate in a seminar discussion organized by the Federation of Thai Industries and the Thai Health Promotion Foundation, entitled, "Creating a Happy Workplace Organization in the 3.0 Era," I gave my opinion from a broad economic perspective on the readiness of Thailand to integrate with the AEC, which I would like to share in two articles, this first reviewing the strengths and weaknesses of Thailand as part of the AEC. Comparing Thailand’s strengths to those of other AEC members, I see our advantages from many angles giving Thailand opportunity to become a regional economic, trade, and investment hub. 1) **Geographic location** Thailand is located in the centre of the region, with most of its borders connected to neighbouring ASEAN countries. Natural disaster risks are also relatively low compared to neighbouring countries. Though Thailand faced a critical flood situation, this disaster could be predicted and defended in advance. 2) **Development level** Thailand has a higher development level than most countries in the region with its basic universal education, big pool of skilled workers and highly qualified personnel, its thorough high quality public health, and developed infrastructure, especially roads. Moreover, Thai law, institutions and other facilities are reasonably well developed. Thailand’s baht currency is accepted by our neighbours in border trade transactions. 3) **Size of the domestic market and land area** Thailand's economy is the second largest in ASEAN, after Indonesia. Thailand’s large population size is approximately equal to each population of Myanmar and Vietnam, though the income level and purchasing power of Thai people is higher than their neighbouring countries. In addition, Thailand has enough land area for development and future investments, unlike Singapore, where space is limited. 4) **Economic relations with ASEAN** Thailand's trade with ASEAN was about US $7.5 billion in 2010 or 15% of the total intra-ASEAN trade value, ranking third after Singapore and Malaysia. In addition, Thailand has an Asian trade surplus of US $1.36 billion, ranked second after Singapore and was the only country from three with a trade surplus to ASEAN. This implies that Thailand will benefit from the AEC, particularly in terms of expanding...
exports to ASEAN. 5) **Association with the global economy** The Thai economy is very highly linked to international trade and foreign investment. Thailand’s degree of openness was 129% of GDP in 2005 and the expansion of Thailand’s economy always depends on foreign investment. Thailand is therefore more well-equipped and experienced in trade and attracting foreign investors than its neighbouring countries. This means that the AEC will give Thailand an opportunity to benefit from trade and investment from countries outside the AEC, more than others.

Thailand’s weaknesses fall into many opposite categories. These factors may cause Thailand to lose some benefits or opportunities affected by the AEC. 1) **Lack of understanding and awareness** The survey results of many institutions show that Thai people lack awareness about the AEC as to its importance, impact, and need for readiness, except for large enterprises or organizations involved in business with other countries. This lack of understanding and awareness may obstruct Thai entrepreneurs from seizing the opportunity or the chance offered by the AEC, leaving them unprepared and unable to face the impact of the AEC at the right time. 2) **Unfamiliar with neighbours** Thai people are not competent in English, which is an international language, and lack knowledge about their neighbours. The Thai education system does not facilitate study options on the languages, cultures and economies of neighbouring countries. Facilities are also non-conducive to trade, investment or tourism in neighbouring countries. 3) **Some inconvenience in business** Although the World Bank’s Doing Business ranking has ranked Thailand #17 from 183 countries (Singapore is ranked #1 and Malaysia #18), some factors are obstacles to doing business in Thailand, as follows: "Starting a business": Investment or conducting business in Thailand involves having to contact many government agencies, with multiple processing steps, which are individually time-consuming. "Receiving credit": SMEs have credit access restrictions and financial costs are still high because Thai financial institutions have a certain monopoly level. "Taxation": Thailand’s corporate tax rate of 30 percent is higher than that of its neighbours. However, if the government reduces the corporate tax, this will be effective in attracting investment. 4) **Higher business costs** The wage rate in Thailand is increasing, while investors are looking to invest in new places that have lower labour costs than China. Investment in the world is likely to flow into the new emerging economies, such as Indonesia, Myanmar, and elsewhere. In addition, the relative costs of energy, transportation and logistics is very high, associated with high global oil prices. Therefore, Thailand is likely to lose its investment attraction. 5) **Political and administrative problems** The development of Thailand’s economy is slowing or sometimes restricted due to political and administrative problems, such as political conflicts, and the corruption of politicians and government officers causing high hidden costs in the business sector, and the poor performance of government agencies, etc. Given the above analysis of the strengths and weaknesses of Thailand, we may question whether Thailand is yet prepared to cope with the AEC. The answer seems to be that we are not clear on our strategic position in the ASEAN arena. Our future direction has been forced by circumstances without planning or advance preparation. Thailand’s preparatory measures for inclusion in the AEC are not yet concrete and this situation is worrisome for the country. The next question is how Thailand should determine a strategy to cope with AEC inclusion. I will answer this question in my next article.
Thai soldiers stand guard at Government House in Bangkok on Friday.
Sakchai Lalit / AP

After Ex Thailand’s army chief, Gen. Prayuth Chan-ocha, announced on national television that the military was seizing power from the government. The coup
came two days after martial law was enacted, capping months of political deadlock and street protests that have killed 28 people and injured hundreds more. (Thailand also experienced a military-backed coup in 2006, and another in 1991, and several before that.) The military is curtailing civil liberties — for example, instituting a 10 p.m.-to-5 a.m. curfew — but there may also be economic consequences, such as slow tourism and hesitancy from foreign investors.

Economic aftershocks after a coup are difficult to analyze and conditional on how violent and tumultuous the period becomes. In most cases, coups slow growth, according to a 1996 study, “Political Instability and Economic Growth.” But after Thailand’s 2006 coup, economic growth held steady and tourism slowed only slightly.

A statistical analysis and probabilistic simulation by political scientist and consultant Jay Ulfelder, at his blog Dart-Throwing Chimp, shows that economic growth slows, on average, by 2.1 percentage points in the year of a coup, 1.3 points in the year after and 0.2 points in the year after that.

But, as Ulfelder has outlined, poor economic conditions could be a coup’s main cause as much a consequence of it. Even before the most recent coup in Thailand, the country’s real gross domestic product growth slowed; political instability over the past few months was the primary reason. To work through these thorny causal issues and best isolate a coup’s effect, Ulfelder employed a statistical technique that matched countries with similar risks of coups. (Ulfelder’s code for running these simulations is available on GitHub.)

Paul Collier, a professor of economics at Oxford University, organized in his 2009 book, “Wars, Guns, and Votes: Democracy in Dangerous Places.” Collier looked at income instead of GDP and found that the shock of a coup reduces income by about 3.5 percent in the year of the coup and by a cumulative total of 7 percent. Collier’s work — in several research papers also show the studies why coups happen. He found that slow economic growth and low income levels can be used to predict coups, but that in addition to those poor conditions, high military spending can forebode regime change.

In Thailand’s case, its economy has been growing slowly, with average annual growth between 2004 and 2012 at less than 4 percent. Thailand’s neighbors Vietnam and Indonesia have grown, on average, 6.4 and 5.7 percent, respectively, over the same period, according to World Bank data. Thailand’s military spending (as a percentage of all government spending) has also been on the rise.

Ulfelder also forecasts countries prone to coups. His 2014 rankings had Thailand marked as the 10th most vulnerable country, with just over a 10 percent probability. In his latest blog entry, he said he was a “bit surprised by this turn of events, but not shocked.”
Thailand’s economy expanded more than estimated in the second quarter as local demand recovered after a military coup ended months of political unrest. The baht advanced.

Gross domestic product rose 0.9 percent in the three months through June from the previous quarter, when it shrank a revised 1.9 percent, the National Economic & Social Development Board said in Bangkok today. The median of 16 estimates in a Bloomberg News survey was for 0.7 percent growth. The economy expanded 0.4 percent from a year earlier, compared to a survey estimate for no change.

Junta leader Prayuth Chan-Ocha, who seized power on May 22, has paid money due to rice farmers, capped fuel prices and outlined plans for a new government to revive confidence. There will be a “steady economic recovery” in the second half of the year, the state planning agency said today, while cutting the upper range of its growth forecast for 2014 to 2 percent.

“Second-quarter GDP confirms the stabilization in economic activity,” said Weiwen Ng, a Singapore-based economist at Australia & New Zealand Banking Group Ltd. As the political outlook turns constructive, “we expect the unlocking of fiscal spending to manifest itself in a V-shaped recovery for Thailand in the second half,” he said.

The baht gained 0.2 percent to 31.807 against the dollar as of 10:36 a.m. local time. It reached 31.763, the highest level since July 29, and is the second-best performer in the past three months in Asia among 11 currencies tracked by Bloomberg. The benchmark SET Index was little changed.

Export Constraints
The state planning agency today said it forecasts full-year growth at 1.5 to 2 percent from a range of 1.5 percent to 2.5 percent projected in May. The economy may expand 3.5 percent to 4.5 percent in 2015, it said. It cut its export growth estimate for this year to 2 percent from 3.7 percent.

“Even though the economy will recover in the second half and government spending will return to normal, exports (THCTEXPY) still face constraints,” Arkhom Termpittayapaisith, secretary-general of the state planning agency, told a news conference. “Private investment is also expected to recover slowly.” The agency had skipped its press conference for GDP data the previous two quarters because of the unrest.

Thai consumer confidence rose to the highest in 11 months in July, data earlier this month showed. Exports climbed in June for the first time in four months. The central bank earlier this month kept its policy interest rate unchanged for a third straight meeting, and said it expects a “V-shaped” recovery in the second half on rising consumption and government spending. The monetary authority has lowered its growth forecast for this year to 1.5 percent.

Private Consumption
Private consumption rose 0.2 percent in the second quarter from a year earlier, expanding for the first time in four quarters, today’s data showed. Exports slipped 0.7 percent, while investment fell 6.9 percent.

Elsewhere in the region, Malaysia last week said the economy grew at a stronger-than-estimated 6.4 percent pace last quarter, while Singapore reported an unexpected expansion.
Prayuth has said Thai elections can't be held until late-2015 at the earliest and could be delayed further if the situation is deemed unstable. The junta has written an interim constitution that gives it absolute power and appointed a National Legislative Assembly dominated by the military. The assembly may name a new prime minister as early as this week.

**Thai Military Man Woos Investors in New Role**
**Prajin Dons a New Uniform as Economics Czar**

Before the army seized power in a coup three months ago, Prajin Juntong was figuring out what fighter jets to buy in his capacity as the chief of Thailand's air force. Now, as the country's economics czar, he is responsible for trying to persuade foreign investors to bankroll the country's spending plans.

It is a tough sell. A previous coup in 2006 deepened the long-running divisions between Thailand's royalist-nationalists and supporters of a series of populist, left-leaning governments.

But Air Chief Marshal Prajin says if Thailand's new military leaders can turn around the ailing economy, which contracted 0.1% in the first half of 2014, then the often-bloody conflict would be soothed and the country would be on a more stable footing.

(Thailand Latest: Thai Coup Leader Becomes Prime Minister)

“This coup is different. It won't be the same as last time,” Marshal Prajin, 60 years old, said on Friday in his first sit-down media interview since the May 22 takeover. Later, he delivered a speech to a gathering of fund managers and other financial professionals at Bangkok's riverside Oriental Hotel, outlining plans for a mixture of big-ticket infrastructure spending and back-to-basics initiatives on improving education and finding new markets for the country's range of agricultural exports. The next day, Marshal Prajin took the visitors to meet the junta's boss, Gen. Prayuth Chan-ocha. Gen. Prayuth was quizzed about martial law and the country's political stability.

Marshal Prajin frequently talks about restoring Thailand to its old position as a beacon in Southeast Asia.
"Twenty years ago, Thailand was the leading country in this region in almost every area—in economics, in social matters, culture and education and also tourism," he said.

The Land of Smiles, as he calls it, also used to soak up much of the region's foreign investment.

![Peace Dividend](chart.png)

It will take more than publicity tours and glad-handing to put Thailand back on track, though.

Thailand has recently lost ground to Indonesia and especially Vietnam, which has emerged as the go-to destination for South Korean tech companies, much as Japanese auto makers previously flocked to Thailand.

The 2006 military coup solved little, and Thai military leaders pledged they would never stage a coup again.

Months of raucous street protests that started in late 2013 against a government led by Yingluck Shinawatra, sister of billionaire businessman and former Prime Minister Thaksin Shinawatra, scared off tourists and shattered local-business and consumer confidence.

There are signs of some improvement since the military took power and established a measure of stability.

The country's planning agency, the National Economic and Social Development Board, on Monday said the economy grew 0.9% in the second quarter compared with the previous three months, after contracting by a revised 1.9% in the first quarter.

Thailand's economy grew 0.4% in the second quarter from a year earlier, the board said.

Tourism and investment, though, are recovering more slowly than expected following the May coup. Total investment declined 6.9% in the second quarter compared with a 9.3% contraction in the preceding three months.

A pall of uncertainty still hangs over the country; martial law, for instance, is still in effect as the junta tries to chart a gradual return to civilian rule by the end of 2015.

Key figures in the junta, including Gen. Prayuth and Marshal Prajin, face mandatory retirement at the end of September, and it isn't clear what kind of role they will play, if any, in the future.

It isn't all about Thailand. Global export demand isn't as strong as Thailand's military leaders would like, and growth is looking sluggish.

The National Economic and Social Development Board cut its 2014 export-growth forecast to 2% from 3.7%.
Marshal Prajin, dressed in a business suit rather than his usual air force uniform, said on Friday that reviving Thailand is more than just a matter of restoring law and order on the streets.

Household debt levels stand at more than 80% of gross domestic product, one of the highest rates in the region. Many factories are running below capacity while the number of fresh investment applications fell by a third in the first five months of the year.

He said his strategy will blend some of the big-spending infrastructure policies pioneered by the Shinawatras while borrowing from the more technocratic mind-set that steered previous military-led administrations during Thailand's boom years in the 1980s and 1990s.

Already, the military government has paid out billions of dollars to farmers awaiting payment from a now-defunct program for rice subsidies that was launched by the previous administration.

The centerpiece of a $75 billion infrastructure spending plan, meanwhile, is a revamped, dual-track rail network that is aimed at making it easier to shift freight around Thailand and ultimately connect with rail networks across the region. It could link the Chinese city of Kunming with the heart of Southeast Asia.

This, Marshal Prajin says, will open up northern and northeast Thailand to more trade, boosting provincial economies and slowing the pace of migration to Bangkok and other crowded cities.

"In the old days we used to fight with swords and lances on the back of elephants, or even on buffaloes," he said. These days, Thailand needs to learn how to compete economically.

"We can't do it all ourselves," he said. "If we have investors, it will speed things up."

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BOT released to the press that the Economic and Monetary Conditions for April 2014

Overall economic activities in April 2014 were mostly unchanged from the previous month. Manufacturing production continued to be sluggish in line with subdued spending as households and businesses remained concerned over prolonged economic and political uncertainties. Merchandise exports recovered slowly. Although exports of manufactured products gained some traction, exports of agricultural products were held down by falling commodity prices and weakened demand from China. The tourism sector picked up this month after the termination of the state of emergency in Bangkok and surrounding areas.

On the stability front, unemployment remained low. Inflation edged higher, driven by increases in prepared food and retail energy prices. The trade balance recorded a surplus. However, the current account registered a deficit due mainly to repatriation of profits and dividends by foreign companies. The capital account posted
a surplus thanks to both foreign direct investment and foreign portfolio investment. Overall, the balance of payments registered a surplus.

**Details of economic conditions are as follows.**

Overall economic activities were mostly unchanged from the previous month as reflected in the slow pace of private-sector spending and manufacturing production. Compared with the level a year ago, however, the *Manufacturing Production Index* (MPI) contracted 3.9 percent due to the following factors. First, automobile production, which had accelerated last year, remained sluggish; increases in foreign orders could not compensate for decreases in domestic orders. Second, beer production declined as businesses pared down inventories in response to softened demand. Third, production of frozen shrimp continued to be restrained by the shrimp disease outbreak.

Private-sector spending was largely flat in April compared with the previous month as ongoing economic and political uncertainties continued to weigh on sentiments. Private consumption, when measured on a year-on-year basis, remained in contration, with the *Private Consumption Index* (PCI) falling 0.8 percent from its year-earlier level on account of declining consumer outlays on durable items and subdued spending on nondurable items. Households with elevated debt levels remained cautious in spending. In addition, a sustained economic slowdown and depressed agricultural prices caused income shortfalls. The *Private Investment Index* (PII) decreased 4.7 percent from the level a year ago as businesses continued to defer investments awaiting a better economic outlook and clearer signs of political resolution. Consequently, outlays for machinery and equipment remained in contraction, especially in automobile, electronic, and electrical appliance industries. Meanwhile, construction spending slowed down in line with the softening economic conditions.

Overall *merchandise exports* recovered slowly. Although exports of manufactured products gained some traction this month, exports of agricultural products were restrained by a decline in global commodity prices and a slowdown in demand from China. The total value of exports was 17,092 million U.S. dollars—a slight drop from the previous month but a 0.9 percent decrease from - 2 - the same period last year. Exports of agricultural products and processed agricultural products decreased on account of falling rubber prices and declining orders from China. Meanwhile, exports of electronics contracted following a slowdown in demand, particularly from China and ASEAN countries. Exports of petroleum ticked down owing to temporary plant shutdowns for maintenance. However, exports in certain industries—for example, machinery and equipment, petrochemical products, and automobiles—were increasingly firming along with improving demand from advanced economies.

Subdued economic activities brought merchandise imports to be roughly unchanged from the previous month. However, *merchandise imports value*, totaling 16,533 million U.S. dollars, were down 13.8 percent compared with the level a year ago, mainly attributable to the contraction in imports of capital goods, raw materials, and intermediate goods.

The *tourism* sector picked up in April relative to the previous month, thanks partly to the termination of the state of emergency announced on March 19 which helped restore foreign tourist confidence and partly to tourism promotion geared toward the Songkran festival. Tourist arrivals, totaling 2 million, were however 1.7
percent lower than the level observed last year, as tourists from China, Malaysia, Russia, and Japan declined.

**Farm income** registered lower on both the month-on-month and year-on-year bases mainly because of depressed agricultural prices. Rice prices fell significantly following the recent offloading of government stockpiles and the termination of the rice pledging scheme. Rubber prices declined as a result of softened demand from, and together with the elevated inventory levels in, China. However, overall farm output increased from the same period last year. Rice production rose thanks to favorable water supply. Oil palm production increased following expansion of planting area in preceding years.

**Fiscal spending** was slightly higher than its year-earlier level as wages and salary expenses, together with outlays for goods and services, could be disbursed as normal. On the other hand, only part of outlays for investment could be disbursed. Government cash receipts increased relative to its year-earlier level, in part because of last year’s low base on account of overdue VAT refunds to local administrations that had been delayed from March 2013. Overall revenue collection declined on account of lower income tax revenues, consumption tax revenues, and import duty revenues consistent with the economic slowdown. With expenditures outpacing revenues, the government’s cash balance registered a deficit of 42 billion baht.

On the **stability** front, unemployment remained low. Inflation edged up on the back of cost pass-through to prices of prepared food and retail energy prices. The trade balance registered a surplus on the back of import contraction. The current account was in a deficit due mainly to repatriation of profits and dividends by foreign companies. The capital account recorded a surplus thanks to both foreign direct investment and foreign portfolio investment. Overall, the balance of payments posted a surplus.

Bank of Thailand
30 May 2014

**Thailand Economy Shrinks, Prompting Worries of Recession**
By REUTERS MAY 19, 2014

BANGKOK — Thailand’s economy shrank more than expected in the first quarter, data showed on Monday, as exports remained weak and months of political unrest threatened to tip the economy into recession.

The state planning agency, which compiles data on gross domestic product, said the economy had contracted a 2.1 percent in the January-to-March quarter, compared with the previous three months. The first quarter recorded a contraction of 0.6 percent from a year earlier.

The agency, the National Economic and Social Development Board, lowered its G.D.P. growth forecast for the year to 1.5 to 2.5 percent, from 3 to 4 percent.

The country has been governed since December by a caretaker administration with limited fiscal powers, and the crisis seems likely to continue as protest groups seek to install an unelected government.

The outlook for the April-to-June quarter and beyond is grim, analysts say.

“Chances are, we are going to see another technical recession in the economy, given that the second-quarter G.D.P. number is likely to be rather poor as well,” said Gundy Cahyadi, an economist with DBS Bank in Singapore.
“The longer the economy is without a functioning government, the more the drag to economic growth,” he added.

Consumer confidence is at a 12-year low, tourists are staying away from Bangkok and public spending has been delayed. Many parts of the economy are feeling the pinch, even the property sector, which proved resilient during previous bouts of unrest.

“If the political crisis drags on until the end of this year, the overall sector could see a contraction of as much as 10 percent,” Rutt Phanijphand, chief executive of the home builder Quality Houses, said last week.

The planning agency revised the figure for fourth-quarter growth to 0.1 percent from the previous three months from 0.6 percent. It left year-on-year growth for the October-December quarter at 0.6 percent.

Thailand, the second-biggest economy in Southeast Asia, is the only one in the region that is contracting. Malaysia reported annual growth of 6.1 percent in the first quarter, while Indonesia, the largest regional economy, this month announced its slowest growth in years, although its annualized growth in the January-March quarter was still 5.2 percent.

Given the lack of a functioning government and the worsening economy, there may be increasing pressure on the central bank to cut its benchmark rate at its June 18 policy meeting. In April, it left the rate unchanged at 2 percent.

“The weaker-than-expected G.D.P. data will put the spotlight back on the Bank of Thailand,” said Benjamin Shatil, an economist with J. P. Morgan in Singapore. “But when domestic activity is being weighed down by falling sentiment amid an uncertain political environment, there is only limited support that monetary policy can provide to the economy.”

The political turmoil is also hurting Thailand’s big auto sector, which accounts for 11 percent of G.D.P. and is the largest in Southeast Asia. Domestic car sales are falling and about 30,000 industry jobs have been lost this year.

Thai Airways last week reported a quarterly loss and expects further losses in the second and third quarters. “We have been severely affected by the politics,” said its chairman, Prajin Juntong.

Tourism accounts for about 10 percent of G.D.P., and the number of visitors dropped about 5 percent in the January to April from a year earlier.

This month, the Tourism Authority of Thailand cut its forecast for 2014 tourist arrivals to 26.3 million, the lowest number in five years, from 28 million.

Pornthip Hirunkate, vice president of the Tourism Council of Thailand, said political unrest had probably contributed to the loss of about 100 billion baht, or $3 billion, in tourism revenue so far.

More than 60 percent of Thai G.D.P. comes from exports, and some analysts expect these to start to pick up along with a global recovery. So far, the political unrest has been largely contained to Bangkok and has not disrupted ports and factories.

But the state planning agency on Monday cut its projection for export growth this year to 3.7 percent, down from an earlier forecast of 5 to 7 percent.

“The unrest has had a minimal impact on shipments, and most exporters are still confident about business,” said Nopporn Thepsitthar, chairman of the National Shippers’ Council. He expects exports to grow 2 to 3 percent in the second quarter, compared with a year earlier.

In the January-to-March quarter, exports fell 0.8 percent from a year earlier and about 0.5 percent from the previous three months, central bank data showed.
Thailand's Economy Weakened by Political Unrest, High Household Debt

Thai military stand guard on the quiet streets surrounding the Victory Monument that were blocked from traffic in Bangkok. GETTY IMAGES

By WARANGKANA CHOMCHUEN
May 30, 2014 7:29 a.m. ET
BANGKOK—Thailand's economic activity in April remained subdued by concerns over prolonged political uncertainty, as household debt continued to weigh on consumption and spending.

Foreign and domestic businesses deferred investment last month while waiting for clearer signs of political resolution, causing the private-investment index to decline 4.7% from the same period last year, the Bank of Thailand said Friday.

Thailand's high household debt level, which stood at about 80% of its gross domestic product, and income shortfalls—particularly among farmers hurt by declining commodity prices—whittled consumption and spending. The Private Consumption Index fell 0.8% on year because of a decrease in spending on durable items, according to the Thai central bank's monthly economic report.

Concerns over the monthslong political conflict have rattled business confidence and slowed investment in the Southeast Asia's second-largest economy after Indonesia. The Thai economy contracted 2.1% in the first quarter compared with the fourth quarter of 2013.

Seven months of political conflict between loyal supporters of former Prime Minister Yingluck Shinawatra and her opponents, led by Suthep Thaugsuban, came to a head May 22 when the military seized power and set up its governing body.

The junta, led by Thai army chief Gen. Prayuth Chan-ocha, has moved swiftly to try to restore business confidence and stimulate the economy. The ruling military has appointed former central banker Pridiyathorn Devakula its chief economic adviser and plans to release the country's new economic road map next week.

THE ECONOMIC TOLL OF THAILAND'S POLITICAL TURMOIL

Months of demonstrations and political turmoil in Thailand—culminating in a military coup on May 22—have hamstrung government, pummeled domestic demand and chilled investment. The effects are starting to show in Thailand's economy and business environment.
The military said it is aiming for economic growth of at least 2% growth this year.

Thailand’s benchmark stock index has reacted relatively well to the new leadership, climbing just less than a percentage point in the past week. "The coup could benefit [the economy and investment] but it still depends," said Mathee Supapongse, a senior director at the Bank of Thailand. "There's more clarity now about several projects that had been stalled. Many projects have begun to move forward."

However, restoring foreign investor confidence can take time, as the international community is wary of the military's seize of power, said Mr. Mathee.

In April, the country's manufacturing production index contracted 3.9% largely because of sluggish auto production, the bank said, as an increase in foreign orders couldn't compensate for the decrease in domestic appetite. The automobile sector accounts for about 11% of the country's annual output.

The tourism sector, which comprises about 9% of Thailand's economy, picked up in April compared with the previous month, thanks partly to a boost from Thailand's Songkran water festival. Foreign tourists also gained confidence after the state of emergency ended in late March.

The current account posted a deficit of $643 million in April, compared with a surplus of $2.9 billion in March. Merchandised exports gradually recovered, but falling commodity prices and weakening Chinese demand hurt the shipment of agriculture products. Fewer imports in light of slower growth is likely going to keep Thailand's current account in the surplus this year despite this month's deficit, said Rahul Bajoria, an economist at Barclays.

"Exports are still the main growth driver this year even though [they are] expected to grow less than 4.5% as previously projected," Mr. Mathee of the Bank of Thailand told reporters in a news conference.

The Bank of Thailand's monetary policy committee is expected to meet June 18 to decide on its key policy rates, which is currently at 2%. Mr. Bajoria at Barclays said the bank may not cut rates further as expected given signs that domestic demand is bottoming against the backdrop of modest recovery in tourism and industrial output.
A Thai soldier stands guard in Bangkok Thursday after the military seized power. It is the 19th coup since Thailand ended absolute monarchy in 1932. Sakchai Lalit/Associated Press

BANGKOK—Thailand's military forcefully removed the nation's elected government two days after declaring martial law, posing new risks to a U.S. ally that is rapidly losing appeal to the investors and tourists who have fueled its economic growth.

Army leader Gen. Prayuth Chan-ocha formally seized power Thursday, taking over the duties of prime minister after failing to broker an end to a seven-month feud pitting the government against protesters who sought to replace it with a royally appointed administration.

Why is Thailand in turmoil? WSJ's Jason Bellini has #TheShortAnswer.

Washington officially declared the takeover a coup, which could prompt the U.S. to curtail cooperation and aid programs.

"While we value our long friendship with the Thai people, this act will have negative implications for the U.S.-Thai relationship, especially for our relationship with the Thai military," Secretary of State John Kerry said. The Pentagon said it was reviewing military ties with Thailand but no decision had been made.

The coup adds another measure of instability to an already rocky time for Southeast Asia. Vietnam and the Philippines are locked in confrontation with China over their competing territorial ambitions in the South China Sea, while Malaysia is reeling from the disappearance of a jetliner and Indonesia is about to elect its first new president in a decade.

After mediated talks fell apart, the Thai military ordered the acting prime minister, Niwattumrong Boonsongpaisan, and his predecessor, Yingluck Shinawatra, and other government officials to report to an army base.

Leading political figures were detained, and the military declared a 10 p.m.-5 a.m. curfew that sent commuters scurrying home and darkened the Thai capital's red-light districts.

Thailand's army chief announced a coup d'état on live national television, two days after saying "this is not a coup" as he declared martial law. The WSJ's Ramy Inocencio reports on the announcement, the events leading up to it and the last time the kingdom's military seized power.

The military asked social media operators to stop sharing messages that could provoke violence or fan opposition to the ruling military council, or risk suspension of service.

The coup marked a new level of dysfunction for what was long one of the world's fastest-growing economies. Protesters took to the streets in November with the mission of ousting a government loyal to the family of tycoon Thaksin Shinawatra, who was himself toppled as prime minister in 2006 and now lives overseas. In its place, the protesters wanted a royally appointed leader installed to rid the country of the Shinawatra family's populist policies.
Mr. Thaksin's sister, Ms. Yingluck, who was elected prime minister in 2011 in a landslide election, was removed earlier this month by a court ruling stemming from improperly removing a senior bureaucrat from his job three years ago.

Army Chief Gen. Prayuth Chan-ocha, center, announces on national TV that after the military was taking control. Agence France-Presse/Getty Images

Political disruptions curbed Thailand's economic growth rate last year to 2.9%. That was well behind the 7.2% posted by the Philippines, 5.8% in Indonesia and 5.4% in Vietnam.

This year could be worse: In the first quarter, the economy shrank 2.1% compared with the last three months of 2013. Growth in per capita GDP, which rose from $100 in 1961 to $4,800 in the early 2000s, has slowed dramatically. Foreign direct investment has fallen to levels below competitors such as Indonesia.

Traffic problems that gripped Bangkok in the 1980s have recently returned largely because of a lack of investment in roads, a failure in stark evidence Thursday when commuters rushing to get home ahead of the curfew jammed Bangkok's main arteries after the capital's train was forced to close early.

From the Archives: Thailand's Key Players
The tourism industry, which has had a resilience that earned the country the nickname "Teflon Thailand," saw the number of visitors shrink by almost 400,000 in the first four months of the year, a decline of about 5% from the same time last year. The number of visitors is expected to fall a further 10% to 12% in May from the previous year, Thailand's tourism department said. The industry accounts for around 9% of gross domestic product—some $35 billion last year—the second-highest percentage in Asia after Hong Kong.

"When you have political instability that's affecting your tourism numbers, that's going to reduce your national income and that will spill over to weakening consumption," CLSA economist Tony Nafte said. "The impact from tourism is one of the key contributors to the economy's overall decline."

Companies that once insisted they were committed to Thailand, despite its periodic disruptions, are increasingly saying they are losing faith.

Auto makers including Toyota Motor Corp. 7203.TO +1.05% Toyota Motor Corp. Japan: Tokyo ¥5584 +58 +1.05% May 23, 2014 9:12 am Volume : 1.06M P/E Ratio 9.71 Market Cap ¥18688.15 Billion Dividend Yield 2.33% Rev. per Employee ¥77,037,700 say they are delaying or rethinking plans for new investments in the country as national car sales plummet, though much of their production is geared toward the export market.

The auto and auto parts industries already laid off about 10,000 people this month, a trade group said. Some analysts expect 30,000 auto workers to lose their jobs this year if the political upheaval persists. In April, auto production fell more than a quarter from a year earlier to 126,730 cars, while sales declined more than a third to 73,242 cars.

"Thailand has to get its act together," Anthony Chay, president of Thai operations at Siemens, a potential bidder for a high-speed rail project stalled by political wrangling, said before the coup unfolded. Many of the firm's 1,200 workers are working on other projects such as servicing Bangkok's mass transit system.

In a televised address, Gen. Prayuth and other army leaders billed the coup as a chance to reset politics and enact reforms they say are needed to ensure respect for democracy. But they offered no road map for resolving the standoff between the largely urban middle class and elite protesters and Mr. Thaksin's populist backers, many of whom hail from the rural heartland.

Gen. Prayuth is in a difficult spot. He will have a short timeline from supporters of the ousted government to call new elections or risk a potentially violent backlash. But the other protesters, who urged him for months to stage a coup, will want him or
an interim prime minister to ensure that any future electoral arrangements produce a power structure more favorable to them.

Thursday's was the 19th coup attempt since Thailand ended absolute monarchy in 1932. But takeovers had become rare in the last two decades, until the coup that toppled Mr. Thaksin, who built the strongest political machine the country has known and is considered brash by many Thais.

Many Bangkok residents were calm after the takeover.

"Since the conflict between the two groups remains unresolved, having someone to step in and put an end to it is good," said Tueanjit Putipongpokai, 29 years old, who said she was hoping to take some photos with soldiers. "I don't think the situation can be any worse than it has already been although I didn't expect the coup to take place this soon."

The constitution was suspended except for articles concerning the monarchy.

While the stock market was closed when the military confirmed its coup, the baht moved lower against the U.S. dollar and changed hands late Thursday at 32.54 per dollar compared with 32.47 a day earlier.

Thailand's financial markets have remained resilient, but investors are not taking the country's ability to bounce back from crisis for granted. The benchmark stock index is 8% higher year-to-date, one of Asia's top performers. Investors say Thailand's long-term economic prospects are solid. The stock market shed nearly 3% in the two weeks after a coup in 2006, only to rebound more than 5% in the following month.

"The initial reaction is probably going to be negative," said Julian Mayo, co-chief investment officer at Charlemagne Capital UK Ltd., an emerging markets investor that manages around $2.6 billion globally. "We are following it closely," he said, but added that coups in Thailand are not uncommon. "You need to be a skeptic to invest in emerging markets," he said.
Thai soldiers clear pro-government Red Shirt demonstrators who had been rallying on the outskirts of Bangkok on Thursday. *European Pressphoto Agency*

—Nopparat Chaichaleammmongkol, Wilawan Watcharasakwet, Michael Arnold, Kathy Chu and Adam Entous contributed to this article.

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Another Coup in Thailand

Democracy is on hold and the risk of civil war continues to rise.

Updated May 20, 2014 5:59 p.m. ET

General Prayuth Chan-ocha, chief of the Thai army, is at pains to explain he did not stage a coup at 3 a.m. Tuesday morning. The imposition of martial law, he says, is merely an intervention to restore order and break the deadlock between the elected government and royalist protesters. Acting Prime Minister Niwatthamrong Boonsongphaisan remains officially in charge.

That's laughable, as Gen. Prayuth showed when reporters asked about the status of the government. "And where is this government?" he joked.

It's a telling quip. Mr. Niwatthamrong has not held true power since the Constitutional Court removed Prime Minister Yingluck Shinawatra and nine of her ministers earlier this month. Now the army has given itself unlimited powers for an indefinite period. Sure sounds like a coup.

Moreover, there is no public safety justification for the generals' action. Thailand may be wracked by political conflict, but it remains largely peaceful. Even when protesters derailed a general election in February, the troops stayed in their barracks. If there is a political vacuum in Bangkok, the army and other elite-controlled institutions created it.

So why did Gen. Prayuth act now? One clue is the way Mr. Niwatthamrong has gone on calling for new elections later this year. The military and the aristocracy need to close off that possibility.
Thai soldiers guard the Army Club, the venue for meetings between the Thai Army and civilian politicians after the army declared martial law. *Zuma Press*

Once elections are on hold, Thai elites, represented by the anti-democratic Democrat Party, can engage the elected Puea Thai party in talks to force it to accept "reforms" that will further neuter the power of future governments. If that fails, they can appoint a caretaker government to write a new constitution, as they did after the last coup in 2006.

In other words, the protest movement led by former Deputy Prime Minister Suthep Thaugsuban over the last six months has succeeded. It demanded that the elected government be removed from power and institutional changes be carried out before new elections were held.

The 2007 constitution was already bad enough. It created a partially appointed Senate and empowered nondemocratic institutions controlled by the aristocracy to threaten the elected government.

But after Ms. Yingluck was elected in 2011, she proved it was possible for a populist government to sidestep these controls, at least for several years. With time she might have succeeded in neutralizing them. A series of missteps last year created an opening for Mr. Suthep's street movement.

Thailand's elites realize their stranglehold on the country's resources is slipping away, so they want to impose more restrictions on an already rigged democracy. This will provoke a backlash from the government's "red shirt" supporters in the north, which would be disastrous for the country.

In 2010, supporters of Ms. Yingluck's brother, former Prime Minister Thaksin Shinawatra, occupied the center of Bangkok for months. Army snipers killed almost 100 unarmed protesters. Some of the red shirts say this time they are prepared for civil war.

That danger scares everybody, but especially investors. First quarter GDP figures show the economy contracted by 0.6% year on year, largely because billions of dollars sit on the sidelines waiting to see if the impasse can be resolved.

The only way forward for Thailand is to go back to the voters for a new mandate. Sooner or later the army and aristocracy will have to accept that the populist forces unleashed by the Shinawatra family are here to stay. If they persist in rigging the political system, the anger may become uncontrollable. Extremists on both sides have gained momentum, and closing down their television stations won't stop them. Statesmen are needed to find a compromise and prevent Thailand from sinking into mob rule.
Thai Rak Thai Party

Mr. Thaksin, arguably the most popular yet divisive political figure in Thailand's recent history, won two consecutive landslide election victories in 2001 and 2005 before he was toppled by the military in 2006.

While in office, the businessman-turned-politician launched a variety of populist campaigns to help low-income people and the rural poor, which make up the majority of Thailand's electorate and who have since become staunch supporters of his Thai Rak Thai party. His policies included universal health care, a microcredit program for villages, and a debt moratorium for farmers.

In 2006, his administration was rocked by an anti-Thaksin movement known as the "yellow shirts," mostly comprising Bangkok's middle class, and he was overthrown in a military-led coup in September of that year.

Thailand's Constitution Court later disbanded his party for electoral fraud, banning Mr. Thaksin and the party's executives from politics for five years.

In 2008, he was convicted of conflict-of-interest charges and sentenced in absentia to two years in prison. The Assets Examination Committee appointed by the military said that Mr. Thaksin had become unusually wealthy while in office and froze his and his family's assets in Thailand totaling 76 billion baht ($2.37 billion).

Mr. Thaksin said the charges were politically motivated. He has been living in self-imposed exile in the past five years to avoid imprisonment.

He married Pojaman Damapong in 1980 before they divorced in 2008. They have one son and two daughters.

Yingluck Shinawatra
Pheu Thai Party

Ms. Yingluck is the youngest sister of Mr. Thaksin and is said to have entered politics at the request of her brother. She was chosen by the Pheu Thai Party, a reincarnation of Mr. Thaksin's Thai Rak Thai Party, as its candidate for prime minister in the 2011 elections. Though a political novice, Ms. Yingluck has the backing of Mr. Thaksin's political team and rode on her brother's popularity to sweep to an election victory in 2011, becoming the country's first female prime minister.

The country's opposition parties say Ms. Yingluck is acting in the interests of Mr. Thaksin, which she denies. In 2011, Mr. Thaksin said in an interview that Ms.
Yingluck wasn’t his nominee, but he called her his "clone" who can make decisions on his behalf.

Ms. Yingluck continued Mr. Thaksin’s legacy by launching several populist policies, such as a rice subsidy program under which the government bought rice from local farmers at above-market rates.

On May 7, the Constitutional Court removed Ms. Yingluck from office, saying her 2011 demotion of the country’s then-top security adviser was an abuse of power and an act of nepotism. Ms. Yingluck denied the charges. The caretaker cabinet appointed deputy premier Niwattumrong Boonsongpaisan acting prime minister. Though she is no longer prime minister, Ms. Yingluck may still be impeached by the Senate on charges of mismanaging the rice-subsidy program—which could lead to a five-year ban from politics.

Before entering politics, Ms. Yingluck was an executive in businesses owned by the Shinawatra family.

Gen. Prayuth Chan-ocha
Commander-in-chief, Royal Thai Army

Gen. Prayuth Chan-ocha became the 37th commander in chief of the Royal Thai Army since October 2010, and has played a crucial role in Thailand’s tumultuous politics.

Gen. Prayuth, 60 years old, is close to his predecessor, Gen. Anupong Paochinda, and is widely believed to have been in the inner circle of the military’s top brass when it staged a coup d’état in 2006 to oust the then Prime Minister Thaksin Shinawatra from office. He became a member of the National Legislative Assembly, installed by the military after the coup and before the general election in 2008.

Gen. Prayuth was seen as a royalist and hardliner within the military. He was called on by the country’s conservatives and opponents of former Prime Minister Yingluck Shinawatra, Mr. Thaksin’s sister, to intervene when months of street demonstrations failed to dislodge Ms. Yingluck and instead created a prolonged political deadlock.

In a bid to try to steer away from politics, Gen. Prayuth repeatedly said the army would not stage a coup and urged all sides of the political conflicts to settle their
differences peacefully. However, the army chief made a few rare statements on military-run television channels to warn against the use of violence and weapons against the protesters, following outbursts of gunfire and grenade attacks.

On May 15, Gen. Prayuth issued one of his strongest statements, warning that the army will “fully step in” to take control of the situation if the violence escalated. His statement came after at least three protesters were killed in an overnight shooting and bombing attacks in Bangkok.

Gen. Prayuth is known for his combative leadership style and tough talking, or “growling” as local media has it. He has reached his retirement age and is expected to be replaced by his successor in October this year. Gen. Prayuth is also the chairman of Army United Football Club.

Suthep Thaugsuban
Democrat Party

Mr. Suthep, who hails from southern Thailand’s Surath Thani province, is a veteran politician of the Democrat Party and a major player in Thai politics. Early in November, Mr. Suthep resigned as a lawmaker and executive of the party to devote more time to leading Democrat-led rallies against a controversial amnesty law proposed by the ruling Pheu Thai Party that would absolve Mr. Thaksin and others.

In 1995, he was accused of corruption by the then opposition in the lower house related to land reforms he had helped steer through as a deputy agriculture minister. He denied the accusations but the claims prompted then Prime Minister Chuan Leekpai to dissolve parliament to avoid a vote of no confidence in the government.

From 2008 to 2011, Mr. Suthep was a deputy prime minister in Prime Minister Abhisit Vejjajiva’s administration. In 2009, the Election Commission disqualified Mr. Suthep as member of parliament after it found he violated the law by holding stakes in a company that received concessions from the government, prompting Mr. Suthep to resign as an MP. Mr. Suthep said his shareholding was minimal and denied any managerial involvement with the company.

In October, Mr. Suthep and Mr. Abhisit were indicted for allegedly ordering crackdowns on pro-Thaksin “red shirt” protesters who occupied downtown Bangkok
for nine weeks, resulting in 90 deaths and scores of injuries. Both men denied the charges and said they would fight them in court.

Messrs. Abhisit and Suthep have legislative immunity from court proceedings while parliament is in session. The next recess is in late November. The public prosecutor's office said last month that it would file a criminal case against the two men on Dec. 12.

Abhisit Vejjajiva
Democrat Party

Mr. Abhisit was prime minister from 2008 to 2011 and is the current leader of the opposition Democrat Party. He became prime minister following a vote in parliament, rather than by winning a general election, after the Constitution Court removed his predecessor, Somchai Wongsawat, from office. Mr. Somchai is Mr. Thaksin’s brother-in-law and led the pro-Thaksin People’s Power Party before the party was disbanded by a Thai court.

Mr. Abhisit’s appointment prompted accusations from opposition parties and pro-Thaksin groups that he was backed by the military and the establishment, which oppose Mr. Thaksin. Mr. Abhisit, who was born in England and attended Eton College before earning bachelor's and master’s degrees from Oxford University, is considered an establishment figure.

Mr. Abhisit faced major protests in April 2009 when the mostly pro-Thaksin "red-shirt" demonstrators expanded their street rallies from Bangkok to the beach resort of Pattaya in eastern Thailand, where Mr. Abhisit was hosting a summit of the Association of Southeast Asian Nations. Protesters forced the summit to be cancelled as foreign leaders fled by navy ships and helicopters.

In April 2010, the red shirts staged mass rallies in Bangkok and called on Mr. Abhisit to call fresh elections. Over 90 people were killed, mostly protesters, and many injured, after violent clashes with security forces.

Mr. Abhisit called an election in 2011 and his party lost to Ms. Yingluck's Pheu Thai Party. In October, he was indicted by Thailand's attorney general's office, along with Mr. Suthep, on murder charges for allegedly ordering security forces to use weapons and live ammunition to disperse the 2010 protests. Both men denied the charges and said they would fight them in court.
Messrs. Abhisit and Suthep have legislative immunity from court proceedings while parliament is in session. The next recess is in late November. The public prosecutor’s office said last month that it would file a criminal case against the two men on Dec. 12.

Jatuporn Prompan
United Front of Democracy Against Dictatorship (Red shirts)

Mr. Jatuporn is one of the core leaders of the “red shirts,” or United Front of Democracy Against Dictatorship (UDD), an important ally of Prime Minister Yingluck Shinawatra and her ruling Pheu Thai Party.

Mr. Jatuporn, a former lawmaker of the Pheu Thai Party, led the red-shirt rallies in April 2009 and April-May 2010 against former Prime Minister Abhisit Vejjajiva to pressure him to call fresh elections. After the military crackdown on the red shirts in May 2010 that resulted in the deaths of more than 90 people, most of them protesters, Mr. Jaruporn surrendered to the police and was charged with terrorism. He denied the charges, saying leading a democratic demonstration wasn’t an act of terrorism. The case is still in court. In 2012, a Thai court also disqualified him from standing for parliament.

Mr. Jatuporn has been defending Ms. Yingluck’s administration since protests against the government’s amnesty plan broke out in October. Since Sunday, he and other red-shirt leaders have mobilized thousands of people to gather inside a stadium in Bangkok to show their support for the government. Red-shirt leaders say they won’t call on their supporters to confront antigovernment groups, but vowed they would stay put inside the stadium until the protests are called off.

Amid Thailand’s Coup, Here’s What the Market Is Watching

Thailand’s military temporarily suspended the country’s constitution and declared a coup d’etat Thursday after earlier efforts to settle monthslong strife among political factions in the government failed.
Bloomberg News

There had already been a great deal of tension and uncertainty over Thailand’s economy as a caretaker government—in place since late last year, following the outbreak of a wave of political protests—has had limited authority to create a budget or stimulate growth.

Here are six things the market is watching amid the latest developments:

**Less Room for Growth?** Mizuho Corporate Bank sees more caution from businesses and consumers after the coup. “Components like business or household spending will have a certain defensive or reserved component to them — that will be a bit of a drag on GDP,” says Vishnu Varathan, an economist with the bank. He also sees it as bad news for manufacturing and exports due to the lack of a functioning government making regulatory and spending decisions.

**Tough for Tourism.** Another bad sign for growth is the crippling of Thailand’s $35 billion tourist trade, which contributes 9% to GDP. The country is one of the world’s most popular vacation destinations, and, until the latest outbreak of political tension and violence, was showing signs of continuing robust growth. Last year, the country experienced 26.7 million arrivals, an increase of 20% from 2012. However, 5% fewer people visited the nation in the first four months of the year compared with the same period a year ago.

**Credit Risk, or No?** Before the coup, Moody’s Investors Service warned of negative economic impact from the imposition of martial law, saying the military’s moves to try to resolve the political chaos looks “fraught with uncertainty.” Fitch Ratings played the contrarian, however, saying the move wasn’t a credit negative as it may end the government stalemate.

**Uncertainty on the Baht.** The country’s currency, the baht, declined 0.3% compared with its previous close in less than a half hour after the military declared the coup. Mizuho said the baht could fall in the near term.

**Waiting for the Crown.** The military suspended all of Thailand’s constitution except for the parts related to the monarchy. Meanwhile, the king has yet to comment on the coup. “The loudest thing in the room now is probably the silence of the king,” Mr. Varathan said.

**The Silver Lining?** ANZ Bank—echoing Fitch’s earlier comments on martial law—says the coup could end up as a positive for the Thai economy, as it would bring stability to a country that’s been racked by political turmoil for months. ANZ lowered its growth forecast for the country to 1.3% from its previous call of 2.2%, but it said
“events may appear to be closer to resolution than at any other time in the past seven months.”
1. **Overview**

Laos, one of the world’s few remaining communist states, is one of east Asia’s poorest countries. Since the collapse of the Soviet Union in 1991 it has struggled to find its position within a changing political and economic landscape.

Communist forces overthrew the monarchy in 1975, heralding years of isolation. Laos began opening up to the world in the 1990s, but despite tentative reforms, it remains poor and dependent on international donations.

The government has implemented gradual economic and business reforms since 2005 to somewhat liberalize its domestic markets. In 2011, it opened a stock market in Vientiane as part of a tentative move towards capitalism.

National symbol: The Buddhist stupa of That Luang in the capital Vientiane

**At a glance**
- Politics: Ruling communists maintain a monopoly of political power
- Economy: One of the world’s poorest nations, Laos has little industry and relies on foreign aid; hopes are pinned on a hydroelectric project
- International: Communist regime is backed by China and Vietnam

Country profiles compiled by BBC Monitoring
Economic growth since the 1990s has reduced poverty levels to some degree, but Laos still relies heavily on foreign aid and investment, especially from Japan, China and Vietnam.

The Asian currency crisis of 1997 caused the national currency, the kip, to lose more than nine-tenths of its value against the US dollar.

Laos is a landlocked, mountainous country, widely covered by largely unspoilt tropical forest. Less than 5% of the land is suitable for subsistence agriculture, which nevertheless provides around 80% of employment.

The main crop is rice, which is grown on the fertile floodplain of the Mekong River. Vegetables, fruit, spices and cotton are also grown. Part of the region's heroin-producing "Golden Triangle", Laos has all but stamped out opium production.

Outside the capital, many people live without electricity or access to basic facilities.

But Laos is banking on the anticipated returns from the $1.3bn Nam Theun 2 dam scheme, which was inaugurated in 2010 and is intended to generate electricity for export to Thailand, to boost its economy and infrastructure.

A further significant upgrade to Laos' infrastructure is expected from the construction of the first high-speed rail line between China and Laos, on which work was due to start in early 2011.

Public dissent in Laos is dealt with harshly by the authorities, and the country's human rights record has come under scrutiny.

Laos denies accusations of abuses by the military against the ethnic minority Hmong. Hmong groups have been fighting a low-level rebellion against the communist regime since 1975.

Monks in the former capital Luang Prabang during the Songkran New Year celebrations: Most Laotians are Theravada Buddhists.
Leader
President: Choummaly Sayasone

Communist rule continues under Choummaly Sayasone

Choummaly Sayasone, the head of the ruling communist Lao People's Revolutionary Party (LPRP), was appointed by the National Assembly in 2006 and re-appointed in June 2011.

His re-appointment for another five-year term marked a continuation of the authoritarian status quo in one of the world's most tightly controlled countries.

He was the only candidate nominated by the powerful politburo of the LPRP. He succeeded Khamtay Siphandon as president in June 2006. He took over the party leadership from the octogenarian former president a few months earlier.

The LPRP is the only legal political party in Laos.

Mr Sayasone is seen as a staunch ally of his predecessor, who served three terms and oversaw the country's entry into the Association of Southeast Asian Nations (Asean) in 1997.

Choummaly Sayasone, who was born in 1936 in southern Laos, is a former defence minister and vice president.

Media

The ruling communists maintain strict control over the media. The government owns all newspapers and broadcast media. Newspaper circulation figures are very low.

Slandering the state, distorting party policies and spreading false rumours are all criminal offences.

Media rights group Reporters Without Borders (RSF) notes that "the activities of the president and top party leaders are always the lead stories in the state media, which are the only media permitted".

There were nearly 593,000 internet users by June 2012 (InternetWorldStats.com). According to RSF, the authorities do not censor the internet. Among those with web access, social media - especially Facebook and Twitter - are gaining in popularity. There is little evidence of online political activism.

The press
- Vientiane Times - state-run, English-language
- Le Renovateur - state run, French-language
- Vientiane Mai - state-run daily
- Pasaxon - party monthly

Television
• Lao National TV - state-run
• Laos Television 3 - joint venture with Thai company

Radio
• Lao National Radio - state-run

News Agency
• KPL - state-run

Timeline
1893 - Laos becomes a French protectorate until 1945, when it is briefly occupied by the Japanese towards the end of World War II.
1946 - French rule over Laos is resumed.
1950 - Laos is granted semi-autonomy as an associated state within the French Union.
1954 - Laos gains full independence as a constitutional monarchy. Civil war breaks out between royalists and the communist group, the Pathet Lao.
1960s - Laos subject to extensive aerial bombardment by the United States in an attempt to destroy North Vietnamese sanctuaries and to rupture the supply lines known as the Ho Chi Minh trail. It's estimated that more bombs were dropped on Laos than were used during the whole of World War II.
1973 - Vientiane ceasefire agreement divides Laos between the communists and the royalists.

Communist take-over
1975 - The Pathet Lao - renamed the Lao People's Front - seizes power. King Savang Vatthana abdicates - he is later arrested and dies in captivity. The Lao People's Democratic Republic is proclaimed, with the Lao People's Revolutionary Party (LPRP) the only legal political party. Kaysone Phomvihane becomes prime minister. "Socialist transformation" of the economy is launched.

National symbol
Motorcycle riders pass by the That Luang religious landmark in Vientiane

- Originally built in the 16th century
- The present edifice dates from the 1930s

1979 - Food shortages and the flight of hundreds of thousands of refugees to Thailand leads the government to modify its approach. Some private enterprise within agriculture is permitted.
1986 - Encouraged by the Gorbachev reforms in the Soviet Union, Laos introduces market-oriented reforms.
1989 - First elections held since 1975. All candidates have to be approved by the LPRP. Communists retain power.
1992 - President Phomvihane dies. Siphandon becomes head of the LPRP.
1994 - "Friendship bridge" over the Mekong linking Laos and Thailand is opened.
1997 - Laos becomes a member of the Association of Southeast Asian Nations (Asean). The Asian financial crisis decimates the value of the Lao currency, the kip.
1998 - Khamtay Siphandon becomes president.

Bomb blasts
2000 - A series of bomb blasts hits the capital - the authorities blame anti-government groups based abroad. Celebrations of 25 years of communist rule take place in Vientiane in December.
2000 - Government embarks on decentralization process, granting more autonomy and budgetary responsibilities to provinces.
2001 March - Khamtay Siphandon re-elected president.
2001 April - International Monetary Fund approves a new three-year loan for Laos worth $40 million. IMF officials expect the loan to help strengthen macroeconomic stability and reduce poverty “through growth with equity”.
2001 April - Parliament introduces death sentence for possession of more than 500g of heroin.
2001 December - UN World Food Programme (WFP) launches three-year initiative to feed 70,000 malnourished children in Laos.

Mekong River

* At 4,200 km (2,600 miles), world’s 12th longest river
* Forms boundary between Laos and Burma, and part of Laos-Thailand border
* Chinese dam-building upstream has led to falls in water level
* Mekong: ‘Mother of rivers’

2002 February - Parliamentary elections. All but one of the 166 candidates are from the governing Lao People’s Revolutionary Party.
2003 June - Two European journalists and their American translator arrested after making contact with Hmong ethnic group. Pair found guilty of obstructing security forces and briefly jailed.
US-based Lao exile group, the Fact Finding Commission, says the Lao Citizens Movement for Democracy (LCMD) has started a revolution in 11 provinces. The government dismisses the claim.
The LCMD says it has killed three soldiers in clashes. The government denies the claim.
2004 November - As chair of the Association of South East Asian Nations (Asean), Laos hosts the organisation's summit.
2005 February - US establishes Normal Trade Relations, ending protracted period of punitive import taxes.
2005 April - World Bank approves loans for Nam Theun Two hydroelectric dam project. Dam is expected to produce electricity for export; critics are concerned about its environmental, social impact.
The ruling Lao People’s Revolutionary Party has conducted cautious economic reform, but maintains a tight grip on politics.

2005 November - Foundation stone of Nam Theun Two hydroelectric dam is laid.

2006 June - Choummaly Sayasone succeeds Khamtay Siphandone as president. The former vice president became leader of the ruling communists in March.

2006 December - More than 400 members of the Hmong ethnic group surrender to the authorities. They are among several groups of Hmong who have been living in the jungle as fugitives since 1975, when the pro-US government they supported was defeated by the communists.

2007 June - US prosecutors charge nine people with plotting a coup in Laos, including former general Vang Pao, a prominent member of the ethnic Hmong group who emigrated to the US in the 1970s.

2007 July - California court order the release on bail of former general Vang Pao, accused of plotting the overthrow of Laos’ communist government.

WTO membership

2008 January - Laos takes steps to become full member of the World Trade Organization.

Hmong refugees

The UN voiced concern about the fate of Hmong repatriated from Thailand

- UN seeks access to Hmong in Laos
- In pictures: Forced expulsion of the Hmong
2008 May - Some 69% of children in Laos lack basic health care, Save the Children charity reports.

2009 March - Thai Princess Maha Chakri Sirindhorn opens a rail connection over the Mekong river, linking Thailand and Laos.

2009 December - Thailand forcibly repatriates more than 4,000 ethnic Hmong asylum seekers back to Laos.

2010 December - PM Bouasone BoupHAVanh resigns, citing "family problems", and is replaced by National Assembly president Thongsing Thammavong. Analysts say factional disputes within the ruling party are the likely reason.

2011 January - New stock market opens in Vientiane as part of tentative experiment with capitalism.

Former Laos royal general and leader of Hmong ethnic group Vang Pao dies in exile in US, aged 81.

2011 June - President Choummaly is given a further five-year term by parliament.

2012 July - Hillary Clinton becomes the first US secretary of state to visit Laos for 57 years. The legacy of the Vietnam War and a controversial dam project are on her agenda.

2012 November - Laos approves plans to build a massive dam at Xayaburi, on the lower Mekong river, despite opposition from environmentalists and neighbours Cambodia and Vietnam.

2013 August - European parliamentarians draw attention to the disappearance of activist Sombath Somphone, last seen at a police checkpoint.

2014 May - Several senior officials are killed in a plane crash in northern Laos, including Defence Minister and Deputy Prime Minister Douangchay Phichit, Security Minister Thongbanh Sengaphone and Vientiane Mayor Soukanh Mahalath.

2. *Laos profile*

Laos, one of the world’s few remaining communist states, is one of east Asia’s poorest countries. Since the collapse of the Soviet Union in 1991 it has struggled to find its position within a changing political and economic landscape.

Communist forces overthrew the monarchy in 1975, heralding years of isolation. Laos began opening up to the world in the 1990s, but despite tentative reforms, it remains poor and dependent on international donations.

The government has implemented gradual economic and business reforms since 2005 to somewhat liberalize its domestic markets. In 2011, it opened a stock market in Vientiane as part of a tentative move towards capitalism.
At a glance

- **Politics:** Ruling communists maintain a monopoly of political power
- **Economy:** One of the world's poorest nations, Laos has little industry and relies on foreign aid; hopes are pinned on a hydroelectric project
- **International:** Communist regime is backed by China and Vietnam

Economic growth since the 1990s has reduced poverty levels to some degree, but Laos still relies heavily on foreign aid and investment, especially from Japan, China and Vietnam.

The Asian currency crisis of 1997 caused the national currency, the kip, to lose more than nine-tenths of its value against the US dollar.

Laos is a landlocked, mountainous country, widely covered by largely unspoilt tropical forest. Less than 5% of the land is suitable for subsistence agriculture, which nevertheless provides around 80% of employment.

The main crop is rice, which is grown on the fertile floodplain of the Mekong River. Vegetables, fruit, spices and cotton are also grown. Part of the region's heroin-producing "Golden Triangle", Laos has all but stamped out opium production.

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But Laos is banking on the anticipated returns from the $1.3bn Nam Theun 2 dam scheme, which was inaugurated in 2010 and is intended to generate electricity for export to Thailand, to boost its economy and infrastructure.

Rice dominates agricultural production

A further significant upgrade to Laos' infrastructure is expected from the construction of the first high-speed rail line between China and Laos, on which work was due to start in early 2011.

Public dissent in Laos is dealt with harshly by the authorities, and the country's human rights record has come under scrutiny.

Laos denies accusations of abuses by the military against the ethnic minority Hmong. Hmong groups have been fighting a low-level rebellion against the communist regime since 1975.

Facts

- **Full name:** Lao People's Democratic Republic
- **Population:** 6.4 million (UN, 2010)
- **Capital:** Vientiane
- **Area:** 236,800 sq km (91,400 sq miles)
- **Major languages:** Lao, French (for diplomatic purposes)
- **Major religion:** Buddhism
- **Life expectancy:** 66 years (men), 69 years (women) (UN)
- **Monetary unit:** 1 new kip = 100 baht
Main exports: Clothing, timber products, coffee, gold, copper, electricity
GNI per capita: US $1,040 (World Bank, 2010)
Internet domain: .la
International dialling code: +856

President:

Choummaly Sayasone

Communist rule continues under Choummaly Sayasone
Choummaly Sayasone, the head of the ruling communist Lao People’s Revolutionary Party (LPRP), was appointed by the National Assembly in 2006 and re-appointed in June 2011.
His re-appointment for another five-year term marked a continuation of the authoritarian status quo in one of the world's most tightly controlled countries.
He was the only candidate nominated by the powerful politburo of the LPRP.
He succeeded Khamtay Siphandon as president in June 2006.
He took over the party leadership from the octogenarian former president a few months earlier.
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Monks take a rest outside That Luang, a religious landmark in Vientiane
Originally built in the 16th century, the present edifice dates from the 1930s
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2000 - A series of bomb blasts hits the capital - the authorities blame anti-government groups based abroad. Celebrations of 25 years of communist rule take place in Vientiane in December. Government embarks on decentralization process, granting more autonomy and budgetary responsibilities to provinces.

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Area: 236,800 sq km (91,400 sq mi)
Population: 6 million (2011 estimate)
Capital City: Vientiane
People: Lao (55%), Phuthai (10.5%), Khmu (11%), Hmong (8%). Official total is 47 ethnic groups.
Languages: Lao (official), French, various ethnic languages
Religion(s): The population is 67% Buddhist, 1.5% Christian and 31.5% other or unspecified (2005 Census).
Currency: Lao Kip
Major political parties: Lao People's Revolutionary Party (Leader: Choummaly Savasone)
Government: Communist State
Head of State: President Choummaly Savasone
Prime Minister/Premier: Thongsing Thammavong
Foreign Minister: Thongloun Sisoulith (also Deputy Prime Minister)
Membership of international groupings/organisations: Laos is a member of the United Nations (UN), Non Aligned Movement (NAM), Group of 77 at the United Nations (G77), Association of Southeast Asian Nations (ASEAN) and the Asia-Europe Meeting (ASEM). In addition: ACCT, APT, ARF, AsDB, CP, EAS, FAO, G-77, IBRD, ICAO, ICRM, IDA, IFAD, IFC, IFRCs, ILO, IMF, Interpol, IOC, IPU, ITU, MIGA, OIF, OPCW, PCA, UNCTAD, UNESCO, UNIDO, UPU, WFTU, WHO, WIPO, WMO, WTO, WTO (observer).

(Note on Lao Names: Lao people generally have two names, the first being the given name and the second the family name. Nevertheless, if only one name is used, it should be the first, e.g. President Choummaly)

2. LAOS ECONOMY

Basic Economic Facts
GDP: US$ 6.5 billion (2010)
GDP per capita: US$1,004 (2010)
Annual Growth: 8.3% (2011 estimate)
Inflation: 6% (2010)
Major Sectors: Agriculture (29.2% of GDP), Services (38.3%), Industry (32.4%) – natural resource mining, timber and electric power generation dominate.
Major trading partners: Laos is a net importer and mainly trades with countries in
the region. In 2010 its main trading partners were Thailand, China and Vietnam.

**Aid & development:** Measurable aid to Laos in 2009 totalled US$ 570m. The largest donor was Japan. International organisations working with Laos who have offices in Vientiane include the IMF, World Bank, Asian Development Bank various UN agencies and the European Commission.

**Exchange rate:** £1 = 12,492LAK (Lao Kip) (February 2012).

Since 1988, the Lao economy has grown on average 6% a year, and steps are being taken to join the World Trade Organisation (WTO).

Economic growth since the 1990s has reduced poverty levels to some degree, but Laos still relies heavily on foreign aid and investment, especially from Japan, China and Vietnam. The Lao Government is keen to raise the country’s profile to attract more foreign investors. In early 2011, the Laos Stock exchange began trading, with two companies listed.

**HISTORY**

**Recent History**

After gaining its independence from France in 1953, the Kingdom of Laos found itself embroiled in regional conflicts resulting from the struggle for control of South Vietnam. The North Vietnamese supported the Pathet Lao, a nationalist front organisation controlled by the communist Lao People's Revolutionary Party (LPRP). The Thais and the Americans supported right-wing groups. Prince Souvanna Phouma, Prime Minister for most of the period from 1951 to 1975, attempted to follow a neutral course.

Following the American withdrawal from Vietnam the Lao Communists consolidated their control of Laos, which culminated in the abolition of the monarchy and establishment of the Lao People's Democratic Republic in December 1975.

As the LPRP instituted a one-party state and introduced tough socialist reforms of the economy it continued its hard line policies until economic difficulties in the late 1980s forced it to bring in more liberal measures in line with those being adopted in Vietnam, with which Laos has been closely aligned since 1975.

In 1992 Kaysone Phomvihane, the long-time leader of the LPRP died. He was succeeded as party leader by the then Prime Minister, Khamtay Siphandone. Since then the government and party have cautiously introduced market reforms, while maintaining tight political control in a one-party system of government.

**Longer Historical Perspective**

The Lao are one branch of the Tai ethnic group which moved southwards from southern China, settling in parts of present day Laos from at least the thirteenth century. From its foundation in 1353 until about 1700 the Lao Kingdom of Lane Xang was one of the most powerful states in mainland Southeast Asia and included much of present day Thailand. Thereafter the kingdom was divided into rival principalities and fell into decline, losing power to the expanding Vietnamese and Siamese states. It was effectively saved from absorption by these two states by the establishment of a French protectorate at the end of the nineteenth century.

Under French rule development in Laos, whether it be economic, educational or political, was slow compared to that in Vietnam and Cambodia, the other countries in French Indochina. A stimulus to political development was provided by the Japanese occupation of Indochina during the Second World War. After the Japanese defeat in August 1945 a Free Lao movement, the Lao Issara, proclaimed Lao
independence, but with the support of the King and Crown Prince the French regained control of the country in 1946, driving the nationalists into exile. The French finally granted Lao independence in 1953.

Laos allowed North Vietnam to use its land as a supply route for its war against the South in the Vietnam War. In response, the United States initiated a bombing campaign against the North Vietnamese. The result of these actions were a series of coups d’état and, ultimately, the Laotian Civil War (1953-1973) between the Royal Laotian government and the communist Pathet Lao.

During the Vietnam War (1955-1975), it was reported that Laos was hit by an average of one B-52 bombload every eight minutes, 24 hours a day, between 1964 and 1973. It’s estimated that more ordnance were dropped on Laos than were used during the whole of the Second World War. Of the 260 million bombs that were dropped, particularly on Xiangkhouang Province on the Plain of Jars, 80 million failed to explode, leaving a deadly legacy. Today, Laos still holds the distinction of being the most bombed country, per capita, in the world. Because it was particularly heavily affected by cluster bombs during this war, Laos was a strong advocate of the Convention on Cluster Munitions to ban the weapons and assist victims, and hosted the First Meeting of States Parties to the convention in November 2010.

INTERNATIONAL RELATIONS

Laos’ Relations with its Neighbours
Although the Lao people are much more closely related to the Thais than to other neighbours in language and culture, Laos was linked to Vietnam and Cambodia as part of French Indochina from the end of the nineteenth century until independence in 1953. Following an attempt to steer a neutral course, ties with Vietnam and Cambodia were strengthened after the communist victories in all three countries in 1975. Relations with the strongly anti-Communist governments of Thailand were difficult. In the aftermath of the Sino-Vietnamese rift of the late 1970s and 1980s, Laos’ relations with China were also strained.

As the general situation in mainland Southeast Asia improved in the 1980s and early 1990s with a decrease in ideological alignments and progress towards a solution of the divisive Cambodian problem, Laos was able significantly to improve ties with other countries in the region. The first bridge across the Mekong River between Thailand and Laos was opened in April 1994. In November 1994 the Mekong River Commission (MRC) was established – involving Laos, Cambodia, Thailand and Vietnam - whose principle objective is the sustainable utilisation of the Mekong Basin. Laos joined ASEAN in July 1997 and joined ASEM in October 2004.

Vietnam continues to enjoy strong political and economic ties with Laos. However, China’s influence has grown substantially in line with its economic interests. China has invested heavily in infrastructure in Laos, and construction of a US$7 billion high speed rail project began in 2011, but work is currently suspended.

Laos’ Relations with the International Community
The EU Commission opened an office in Laos in May 2003. Laos is currently working on preparations to join the World Trade Organisation.

Laos’ relations with the UK
The first resident British Ambassador arrived in Laos in the mid-1950s. The Embassy was closed in 1985 and responsibility for British representation to Laos
passed to the British Ambassador in Bangkok. A British Trade Office opened in Vientiane in 1995 but closed after a review in 2004. The British Ambassador to Laos, Mr Asif Ahmad, is resident in Thailand.

Laos, similarly, had an Embassy in London from the 1950s until it was closed in the mid-1980s. The current Lao Ambassador is His Excellency Mr Khouanta Phalivong who is resident in Paris.

The UK played an important diplomatic role in Laos as Co-Chairman (along with the former USSR) of the 1954 Geneva Conference on Indo-China and the 1961/2 Geneva Conference on Laos.

4. GEOGRAPHY

Laos is a land-locked country, bordering China, Vietnam, Cambodia, Thailand and Burma. It is largely mountainous. The most fertile land is found in the valley of the Mekong, which flows from the north of Laos to the south and which forms the frontier with Thailand for over 60% of its length.

5. POLITICS

Recent Political Developments
Laos will be hosting the Asia-Europe Meeting (ASEM) Heads of Government Summit in November 2012.

Construction of the Xayaburi dam on the Mekong River’s mainstream in Northern Lao PDR was suspended in May 2011 to allow for further consultation to take place to assess the environmental impact.

The government celebrated the 30th anniversary of its accession to power in December 2005. The 8th Congress of the Lao People's Revolutionary Party was held in March 2006.

Elections
General elections are held every five years, with the last one taking place in 2011.

The current National Assembly was elected on 30 April 2011. HE Choummaly Sayasone remained as President of the Lao PDR, along with Thongsing Thammavong as Prime Minister and Thongloun Sisoulith as Foreign Minister.

HUMAN RIGHTS
The human rights situation in Laos has improved over the last decade with Laos ratifying the International Covenant on Civil and Political Rights (ICCPR), the Convention on the Rights of Persons with Disabilities (CRPD) and the UN Convention against Corruption (UNCAC) in September 2009.

There are reports of harassment of Christians by the Lao authorities, who appear to object to active proselytising by some groups rather than to the right of peaceful worship, which is recognised by the Lao Constitution. Another cause for concern is the alleged mistreatment of the ethnic Hmong people in Laos. Amnesty International have reported continuing government clashes with Hmong insurgents.
and forced relocation of Hmong villages. The UK, together with the EU, regularly raises these issues with the Lao government when opportunities arise.

Laos has long held a de facto moratorium on the death penalty. But in April 2001 the scope of application of the death penalty was extended to drug related crimes at the urging of ASEAN partners. The EU has urged Laos to maintain its de facto moratorium on the death penalty.

6. ECONOMY OF LAOS

Laos is one of Asia's poorest nations and is highly reliant on foreign donors. The GDP per capita around $3000. Laos has been designated a least developed country by the United Nations. Laos suffers from a lack of infrastructure and diversified industry. It relies on hydropower, textile industries and tourism for much of its income. Most people in Laos depend on subsistence farming, Just two companies are listed on its fledgling stock market, which opened in 2011. Chinese economic influence is rising rapidly in Laos, which has traditional political ties, as well as business links, with Vietnam. Corruption is endemic.

Laos is one of the few remaining one-party communist states. Laos' growth exceeded 7 percent per year during 2008-12. Despite this high growth rate, Laos remains a country with an underdeveloped infrastructure, particularly in rural areas. It has a basic, but improving, road system, and limited external and internal land-line telecommunications. Electricity is available 75 percent of the country. Laos' economy is heavily dependent on capital-intensive natural resource exports. The labor force, however, still relies on agriculture, dominated by rice cultivation in lowland areas, which accounts for about 30 percent of GDP and 75 percent of total employment. Economic growth has reduced official poverty rates from 46 percent in 1992 to 26 percent in 2010. [Source: CIA World Factbook]

The economy also has benefited from high-profile foreign direct investment in hydropower, copper and gold mining, logging, and construction though some projects in these industries have drawn criticism for their environmental impacts. Laos gained Normal Trade Relations status with the US in 2004. On the fiscal side, Laos initiated a VAT tax system in 2010. Simplified investment procedures and expanded bank credits for small farmers and small entrepreneurs will improve Laos' economic prospects. The government appears committed to raising the country's profile among investors, opening the country's first stock exchange in 2011 and participating in regional economic cooperation initiatives. Laos was admitted to the WTO in 2012. The World Bank has declared that Laos' goal of graduating from the UN Development Program's list of least-developed countries by 2020 is achievable. In the early 1990s, the Lao People's Democratic Republic (LPDR, or Laos) was among the ten poorest countries in the world, according to a World Bank ranking, with a per capita gross national product (GNP) in 1991 of just US$200. Its labor force is poorly trained and educated, its infrastructure severely damaged from years of inadequate maintenance, and its ability to feed itself precariously dependent upon the weather. Development expenditure is financed almost entirely by foreign aid, and, by 1991, exports financed only 40 percent of imports. By the beginning of the 1990s, however, Laos, while still an impoverished country highly dependent on foreign aid for its development, had taken some essential steps toward a free-market economy.

The economic outlook has been helped by major investment projects in hydropower (the US$1.1 billion Nam Theun II dam, plus several smaller dams) and
mining (gold, copper and, in the future, bauxite) that will bring a steady income into
government coffers. Light industry, including textiles, may face a more uncertain future
as the Asean Free Trade Agreement (AFTA) comes into force and Laos joins the
World Trade Organisation (WTO). Forestry is another important resource, but is
largely under the control of the military. [Source: Lonely Planet]

Economic Statistics for Laos

GDP (purchasing power parity): $19.16 billion (2012 est.), country comparison
to the world: 133; $17.69 billion (2011 est.); $16.37 billion (2010 est.); $1.8 billion
Factbook]

GDP - real growth rate: 8.3 percent (2012 est.), country comparison to the
world: 13; 8 percent (2011 est.); 8.1 percent (2010 est.)
GDP - per capita (PPP): $3,000 (2012 est.), country comparison to the world:
176; $2,800 (2011 est.); $2,600 (2010 est.).
GDP - composition by sector: agriculture: 26 percent; industry: 34 percent;
services: 40 percent (2012 est.).
Unemployment rate: 2.5 percent (2009 est.), country comparison to the world:
18 2.4 percent (2005 est.).
Inflation rate (consumer prices): 4.9 percent (2012 est.), country comparison
to the world: 136 7.6 percent (2011 est.).
Fiscal year: 1 October - 30 September

Money in Laos

The currency of Laos is the Lao kip (LAK). Some sources refer to the unit of
Laos money as the "New Kip" because the Lao Kip has been through some changes
in recent times. Dollars and Thai baht can be used and in fact are often preferred to
the kip. By some counts a third of the money transactions in Laos are done with baht.
There are 500, 1,000, 2,000, 5,000, 10,000, 20,000, 50,000 and 100,000 Kip
banknotes. No coins are currently in use in Laos.
Exchange rates: kips (LAK) per US dollar -8,017.7 (2012 est.); 8,035.1 (2011
est.); 8,258.8 (2010 est.); 8,516.04 (2009); 8,760.69 (2008).
Brief history of Lao Money: 1) In 1945 the Lao currency was called Free Kip. 2) In
1952 it was called Royal Kip, the kip was also called piastre in French. In that era,
there were both coins and banknotes. 3) In 1976 Pathet Lao Kip replaced Royal Kip
following the Pathet Lao's takeover of the country. 4) In 1979 Lao PDR Kip or Lao Kip
or New Kip replaced Pathet Lao Kip (100 Pathet Lao Kip = 1 Kip (Lao New Kip)). 5) The
1979 Lao Kip, initially came in 1, 5, 10, 20, 50 and 100 Kip denominations. The
500 Kip notes were added in 1988 followed by 1,000 Kip in 1992, 2,000 and 5,000 kip
notes in 1997, 10,000 and 20,000 kip notes in 2002 and 50,000 kip notes in 2006. 6) At
present no notes under 500 Kip are in circulation. 7) Lao Coins: Coins were
removed from circulation many years ago.

Macroeconomics in Laos

Martin Petty of Reuters wrote: “Laos's $7.5 billion economy is dwarfed by its
neighbors 790 times smaller than China's, a 14th of the size of Vietnam's, and roughly
two percent of Thailand -- but it has more than doubled since 2006, as has GDP per
capita, which jumped from $600 to $1,200, according to World Bank data.” [Source:
Martin Petty, Reuters, December 18, 2011]
The economic system in Laos has been described as a rudimentary capitalist system that operates within a socialist vocabulary. When the government is accused of hypocrisy some point out that the Pathet Lao was more a nationalist movement than a Communist one.

Most of the wealth is concentrated in the Vientiane area, where only about 10 percent of the population lives. A lack of good transportation links and its distance from sea prevents Laos from exploiting its cheap labor to promote industry as countries like Cambodia, Myanmar and Bangladesh have. Laos is dependent on imports for many of its necessities such as petroleum.

One government official told the Washington Post, “Economic growth is very slow. Revenue is low. But the demand for resources his very high. We don’t have a balance.” In the old days about 80 percent of Laotians were said to operate outside the currency-based economy. One foreign businessman told the BBC, “The further Laos falls behind, the longer they have to go got to catch up.

GDP - composition by sector: agriculture: 26 percent; industry: 34 percent; services: 40 percent (2012 est.) By one estimate around 80 percent the population is engaged in agriculture, fishing or forestry and 10 percent are employed by the civil service or are in armed forced and 10 percent are unemployed. There is little manufacturing.


Economic History of Laos

The government of Laos, one of the few remaining one-party communist states, began decentralizing control and encouraging private enterprise in 1986. The results, starting from an extremely low base, were striking - growth averaged 6 percent per year from 1988-2008 except during the short-lived drop caused by the Asian financial crisis that began in 1997. Laos’ growth exceeded 7 percent per year during 2008-12.

The traditional independence and relative isolation of lowland villages has been reduced since the late 1980s. Although commerce in forest products—for example, sticklac—dates to colonial times, as roads have improved and marketing networks expanded, the government has encouraged commercial production for trade and export. As long as the open economic policies of the New Economic Mechanism are operating, the process of integrating lowland villages into a national socioeconomic system will likely continue.

During the Vietnam War era Laos received large amounts of foreign aid from the United States. By some estimates it received more U.S. aid on a per capita basis than any country in the world. When this aid was withdrawn after the war, the Vientiane economy collapsed and has been virtually bankrupt ever since.

Economy of Laos After the Communists Took Power in 1975

Under the Pathet Lao, Laos had a centrally planned, isolationist economy. Shops closed down in 1975, many merchants fled to Thailand.

In the late 1970s and early 1980s the Laotian Communist government largely followed the failed economic path of Vietnam. It first followed the failed Communist
policies of the 1970s and early 80s and then opened up somewhat with economic reforms in the late 1980s and the early 1990s.

In some cases reformist moves made by Laos preceded those of Vietnam. Laos adopted chintanakarnmay, the equivalent of perestroika, in the mid 1980s—before Vietnam launched its reforms in 1986—to promote economic development abandoning centralized economic planning. Since then the country has improved but still remains very poor.

Laos was largely untouched by the phenomenal growth take part in Southeast Asia in the 1970s, 1980s and 1990s. The economy stagnated in the 1970s and 1980s as result of Maoist-style agrarian socialism.

Early Reformist Moves in Laos Starting in 1979

Despite the many obstacles to economic development that remained in the early 1990s, however, in little more than a decade, starting in 1979, the government had deliberately shifted the focus of its economic policy away from socialist goals and has made great strides. Many state-owned enterprises, which had been draining the nation's treasury through subsidies, were privatized, and tax collection was boosted tremendously, helping to bring the fiscal deficit under control. Liberal laws on foreign investment and trade were passed, precipitating a surge of investment activity. Prices of many commodities were freed from government controls, domestic transport restrictions were lifted, and the cooperative farming system was ended. [Source: Library of Congress *]

The Seventh Resolution, passed at a plenary session of the Central Committee by the ruling Phak Pasason Pativat Lao (Lao People's Revolutionary Party—LPRP) in late 1979, marked the start of the country's shift toward a market-oriented economy. The resolution affirmed the government's commitment to begin to open to a market economy, as the necessary path to economic development. Since its inception in 1975, the government, in theory, has recognized private property and private enterprise. However, they were not encouraged, and, in fact, the provincial governments of Louangphrabang (Luang Prabang) and Phongsali abolished private trade and traders through 1987. The objectives of the First FiveYear Plan (1981-85) included self-sufficiency in food production, defined as the equivalent of 350 kilograms of paddy rice and other foodstuffs per capita per year, and the collectivization of agriculture. The plan also focused on developing industrial activity, increasing trade with Thailand, improving the shattered rural infrastructure, and increasing export revenues, all goals that received much greater attention as the tentative steps toward a market-oriented economy continued. However, growth during the plan period was slower than had been anticipated, and the government decided to take bolder steps toward reform.

Bolder Economic Reforms in the 1980s

In 1986, the Laotian government introduced market-economy reforms, called Chintanakhan Mai ("New Thinking," and translated by some as "New Economic Mechanism") that encouraged private-sector economic activity and reversed its policy on the collectivization of agriculture. The Vietnamese made a similar move around the same time.

The hammer and sickle was removed from the national seal; the banking system was liberalized; farmers were allowed to own land and livestock and sell surplus goods at the local markets. Local markets opened up all over the country and the trade of all kinds of goods was tolerated. Many people got into the act. In the early 1990s, one writer noticed the minister of finance selling quail eggs in Vientiane's
Morning Market each day before he showed up at his government office. The impoverished Russian Embassy sold vodka.

At the Fourth Party Congress in 1986, the Second Five-Year Plan (1986-90) was endorsed, and new national development strategy was introduced. The New Economic Mechanism, as this program was called, was designed to expose the economy to world market forces gradually, without sacrificing the nation's goal of food selfsufficiency. To implement this plan, many facets of the economy were decentralized. Although the central authorities continued to set policy guidelines, responsibility for administering and financing many programs for economic and social development was delegated to the provinces. About a year after the congress, the new policy was promulgated into regulations, and changes became rapid and extensive. [Source: Library of Congress *]

The second plan also sought to encourage foreign and private investment. Among the reforms called for under the New Economic Mechanism were the lifting of numerous trade regulations and the creation of opportunities for foreign investment. In a major shift from its economic dependency on Vietnam, Laos began to look toward Thailand--and, later, toward other socialist countries--for private investment, technology transfer, and trade. Through the improvement of transportation and communications systems, encouragement of the private sector, and development of the agroforestry industrial processing sector, it was hoped that nonfood imports could be reduced and exports increased, thus improving the balance of payments. Although Laos showed an overall balance of payments surplus in 1985 and 1986, the current account deficit had been increasing, and during those years exports financed less than 30 percent of imports. The government took a new interest in environmental protection and sought to limit the practice of swidden, or slash-and-burn cultivation as a means of protecting its forest resources and encouraging cash cropping. It proved difficult, however, to bring about such a change because of negative effects on upland farmers' livelihoods. Traditional swidden agriculture does not adversely affect forest resources to the same extent that commercial exploitation does.*

Laos Economy in the 1980s and 90s

Wayne Arnold wrote in the New York Times, Laos's "leaders, since taking power in 1975, have not been particularly dogmatic. When collectivization failed a quarter-century ago, the government took a pragmatic approach and in 1986 approved a "new economic mechanism" aimed at creating a market-based economy. In 1991, Laos adopted a Constitution enshrining private property and free enterprise. The hammer and sickle disappeared from the flag, and three years later Laos adopted one of Southeast Asia's most permissive foreign investment laws. [Source: Wayne Arnold, New York Times, March 5, 2002]

"Investors flooded in, but the onset of the Asian financial crisis in mid-1997 put an end to the boom. In 1999, foreign investment in Laos fell to $51.5 million from $379.7 million in 1997. To try to make up for that, the government began an expensive irrigation program, with the central bank alone putting up $24 million. Though it succeeded in making Laos self-sufficient in rice, the program sent the nation's debt spiraling. The inflation rate soared to more than 120 percent, and the Laotian currency, the kip, lost nearly 90 percent of its value."

Many reforms were carried out successfully during the late 1980s, but the Second Five-Year Plan ended with economic performance lagging well behind planned achievements. Not least among the disappointments was the need to import rice during the droughts of 1987 and 1988, underlining the fact that an objective
identified over ten years earlier--sustained self-sufficiency in food--had not been met. [Source: Library of Congress]

Despite economic failures, however, the Fifth Party Congress, held in March 1991, reaffirmed the government's commitment to the development of a market-oriented economy. The Third Five-Year Plan (1991-95) proposes a "strategy" that aims to continue progress made under the previous two plans: improving the country's infrastructure, promoting exports, and encouraging import-substitution industries. In August 1991, the Supreme People's Assembly (SPA) approved a new constitution--the first since the previous constitution was abolished in 1975. Among its provisions is the affirmation of the right to private ownership; the words "democracy and prosperity" replaced "socialism" in the national motto. *

After the reforms were initiated foreign aid groups began pouring money into Laos and some foreign investors showed up and began looking for opportunities. GNP grew by 6.9 percent between 1993 and 1997 with tight fiscal polices and foreign investment. A merchant class in Laos developed. Corrupt official enriched themselves with bribes. The lives of non-corrupt civil servants improved somewhat—enough so there was a sense of hope for their children.

Raising Prices and Salaries in Laos in the 1980s and 90s

By Decree 14 of March 1988, prices of most goods are no longer set by the government; exceptions include basic utility and mineral prices. Instead, a new system of "unified prices"--free market prices--was instituted. As a result, prices of rationed and subsidized goods such as rice, sugar, cloth, and petroleum increased, and procurement prices were raised by 50 percent to 100 percent. [Source: Library of Congress *]

In addition, in 1988 the wages of state employees, previously paid through coupons redeemable for subsidized goods at state stores, began to be gradually remonetized. Very high inflation rates soon caused a real drop in annual wages, however, and low rates of tax collection gave the government less revenue to spend on wages. As a result, large arrears built up on salaries that are quite small. In 1990 salaries were increased by 83 percent, and arrears began to be paid off, contributing to the increase of 65 percent in government expenditure. Once paid, however, salaries almost immediately go again into arrears. Moreover, the salary increase is not sufficient for state employees to recoup real losses from inflation. *

Impact of the Asian Financial Crisis on Laos

Laos was hurt less by the Asian financial crisis in 1997-98 than other Asian counties because it was so poor and isolated. The currency fell by more than 50 percent along with the Thai baht and dropped more on its own, but this didn't mean so much since Laos doesn't import much from other countries. The economy in Laos tanked later when the markets and investment from Thailand disappeared. This set in motion a chain of events that devastated the Laotian economy.

Around the time the economies of the other Southeast Asia nations were starting to recover, the economy in Laos crashed. Laos suffered from chronic recession and sky-rocketing inflation in 1999 and 2000. The government responded by implementing price controls and subsidies on things like fuel and staples, which were widely ignored in the markets, and caused the economy to deteriorate further.

In 1999, inflation was 150 percent a year and the value of the kip dropped to a tenth its previous value. The price of rice, meat and gasoline soared. The price of gasoline rose from 600 kip a liter in 1998 to 2,561 in 2000. The value of the kip...
decreased from 1,000 to the dollar to 10,000 to the dollar. Laos President Khamtay Siphandone said it was time for economic policies to reflect “economic and political realities.”

The crash didn’t hurt the poor so much. They were already very poor to begin with. The crash devastated the middle class. Many civil servants, teachers and nurses saw their pay dwindle to almost nothing and many abandoned their jobs. In the process they began to struggle to get by as the poor did and lost the sense of hope for helping themselves and their children.

Later inflation was reduced to 35 percent, the kip gained back some of its lost value. The government reduced the import of agricultural products from Thailand. China provided interest-free loans.

See Asiafactsanddetails.com and Foreign Investment

Laos Economy in the Early 2000s
Growth was 6.4 percent in 2000 and 5.5 percent in 2001. The inflation rate was lower than 10 percent. Laos received about $400 million in aid that year. Growth was 7.2 percent in 2005 and 7.3 percent in 2006. Laos’s ability to grow economically has been hurt China’s ability to attract most of the foreign investment that makes it way to Asia.

Wayne Arnold wrote in the New York Times, Laos’s “Laos has since brought inflation back to single digits, but its banks remain burdened with many bad loans, depriving fledgling private business of cash. To fill that gap, the government is courting foreign investors. The vice chairwoman of the State Planning and Cooperation Committee, Khempeng Pholsena, told an investment seminar in Singapore recently that foreign investors should come to Laos simply because it "offers very attractive conditions." She and other officials declined to be interviewed for this article. [Source: Wayne Arnold, New York Times, March 5, 2002]

Laos Economy in the Late 2000s
The Laos economy expanded by an average 7.9 percent a year between 2005 and 2011. Foreign direct investment was an important driver as was trade with China, Vietnam and fellow members of the 10-state Association of South East Asian Nations. At the same time Laos was still highly reliant on foreign donors. [Source: Reuters, April 30, 2011]

Martin Petty of Reuters wrote: “Little has changed in Laos' one-party political system and its rulers are trying to emulate the market-based authoritarianism of China and Vietnam with pro-business reforms, with some success. The once fragile economy has grown an average 7.9 percent a year since 2006. Asian Development Bank Country Director Chong Chi Nai said the mountainous, jungle-clad country was becoming an economic success story, but growth should not be its sole focus. "The challenge for Laos is not the amount of funds coming into the country, but whether these funds are invested in a responsible and environmentally sustainable manner," he said. "But there's no doubt Laos is on the right track." [Source: Martin Petty, Reuters, December 18, 2011]

Laos' boom “is fuelled by mining and hydropower, accounting for 80 percent of foreign direct investment (FDI) and half of gross domestic product (GDP) growth. Export revenue from copper and gold from Laos's two big mines was projected to reach $1.3 billion and $240 million respectively this year, double the 2009 figure, according to the International Monetary Fund (IMF). [Source: Martin Petty, Reuters, December 18, 2011]
Laos’s leaders have gradually liberalized the economy to encourage development. Ian Timberlake of AFP wrote: “The country’s economy has been expanding at an annual average of seven percent in recent years, and the government aims "to lift the country from underdevelopment by 2020." Donors and non-governmental organisations have cautioned the government over its growth strategy, which features large-scale foreign investment in resource sectors that potentially could have negative effects on socio-economic development. Chinese economic influence is fast-rising in Laos, which has traditional political ties, as well as business links, with Vietnam. [Source: Ian Timberlake, AFP, December 24, 2010]

The Voice of America reported: “The economy is growing rapidly, mainly from selling natural mineral and hydropower resources. The influx of cash, and centralized power, has created opportunities for graft. But, ordinary people in Laos are also seeing benefits from increased investment and business, leading few to question the communist party’s legitimacy. Martin Stuart Fox, a professor of history at the University of Queensland, said as long as the economy continues to grow the party will take credit for it. “The problem has been that there has been increasing mal-distribution of wealth. So that most of the wealth that is generated by the improved economy ends up in the Mekong cities and so on. So there is still considerable poverty in the countryside," he says. [Source: Voice of America, April 28, 2011]

Laos Economy in the 2010s

AFP reported: “The government has been aiming for at least eight percent growth, with the aim of escaping from underdevelopment by 2020. Donors and non-governmental organisations have cautioned the government over its growth strategy, which features large-scale foreign investment in resource sectors that potentially could have negative effects on socio-economic development. Chinese economic influence is fast-rising in Laos, which has traditional political ties, as well as business links, with Vietnam. [Source: AFP, February 21, 2011]

Growth was of 7.4 percent for 2010. James Hookway wrote in the Wall Street Journal in 2011, “Rising demand for minerals as the global recovery picks up pace should also help, analysts say, and Rio Tinto Group and Mitsui & Co. . in August 2010 said they were jointly exploring for bauxite, the ore used to produce aluminum. First-move investors in Laos hope that all this foreign interest will bring additional gains in the form of a sharp currency appreciation for the kip, which currently trades at 8,034 per dollar, compared with 8,476 kip a year ago—a gain of 5.2 percent. "In a tiny economy like Laos, it doesn’t take much to move the currency—and turning on a big power plant is like creating a trade surplus," says Leopard Capital's Mr. Clayton. "There's much more likely to be a foreign-exchange gain than a loss." [Source: James Hookway, Wall Street Journal, January 11, 2011]

In January 2011, Laos opened a modest stock market, hoping to attract capital to its largest enterprises and boost its economy. In 2013, Laos became a new member of the World Trade Organization. The economy was forecast by the International Monetary Fund to grow 8.0 percent in 2013.

With numerous rivers flowing through its mountains, Laos wants to become the “battery of Southeast Asia”, selling power to its energy-hungry neighbours. Its jungles are also rich in minerals, attracting miners.

In December 2001, Martin Petty of Reuters wrote: “The Japanese cars and sport utility vehicles that clog the streets of Laos’s once sleepy capital are testament to the changes quietly under way in a county once seen as a basket case isolated for decades behind Asia’s bamboo curtain. Shopping malls are under construction, mobile
phone shops and modern coffee houses with Wi-Fi are popping up in Vientiane, the bicycles that thronged roads lined with golden temples are rarely seen, replaced by imported motorcycles and cars. These are some of the fruits of a quiet economic boom. International financial institutions forecast economic growth of over 8 percent fuelled by hydropower production, copper and gold mining, tourism and domestic consumption. [Source: Martin Petty, Reuters, December 18, 2011]

**Economic outlook**

- Growth is projected at 7.2% in 2014, with a moderate slowdown on the 8.1% recorded for 2013. Growth continues to be fueled by the resource sector, continued FDI-financed investment in hydropower, and accommodative macroeconomic policies.
- The resource sector is expected to provide a smaller direct contribution to growth in 2014. This is due to most major projects are under construction and not expected to commence operation this year. It is also due to expected lower gold production, which is likely to offset some of the gains expected from higher copper production.
- In the 2012/13 financial year, the fiscal deficit widened significantly, due to a combination of a large increase in public sector wages and benefits, and a decline in grants and mining revenues. The primary cause of the expanded deficit was due to an almost doubling of the total public expenditure on civil service wages and benefits.
- The 2013/14 budget plan indicates a slightly narrower fiscal deficit, but cuts in benefits will be offset by new recruitment as well as further increases in salaries paid to civil servants for two consecutive years. The government has discussed some revenue administration measures to help address the issue. In addition to revenue measures, there is a need for more prudent medium-term expenditure planning and execution by the government going forward.
- In 2013, foreign exchange reserves continued to fall to their lowest level in a decade, covering only 1.3 months of goods and services imports. This trend was fueled by the widening current account deficit, driven by resource sector investment as well as strong domestic demand and accommodative fiscal and monetary policy. Efforts will be required by the authorities to rebuild reserves so that the country is better able to absorb any adverse shocks in the future.
- Over the course of 2013, the Lao kip weakened slightly against the US dollar and strengthened against the Thai baht. An overall real appreciation of the exchange rate implies a deterioration in the competitiveness of Lao PDR’s tradable exports.

**School-based management in Lao PDR**

A recent World Bank study, highlighted in the Lao PDR Economic Monitor (January 2014), explains how school-based management can help improve education quality.

- Lao PDR’s education system faces challenges in meeting its goals of providing all students with access to education and improving learning outcomes. While the government increased spending on education, it is facing challenges.
- One of the challenges is that the level of ‘non-wage, public recurrent expenditure’ which pays for school materials, equipment, teacher training, and more--- is still low. As such, families still shoulder most of the spending for these...
in schools. The lack of education resources result into few learning materials and low quality facilities.

- In 2011, the government instituted a School Block Grant program to help improve education quality. This provides schools with resources (on a per student basis) to be used for non-wage expenditures on the things that matter most. It also gives provinces, districts and schools greater administrative control so they can improve educational administration and schooling quality.

- As this initiative is at its early stage, challenges encountered include the limited local capacity of schools to manage budgetary allocations. The study provides suggestions, such as local capacity building, improving the timeliness of fund delivery, and improving accountability mechanisms.

MYANMAR

A long and painful journey awaits Myanmar's new government
Apr 2nd 2016 | YANGON | From the print edition
Ripe for investment

SPEND a day in Yangon, shuttling among new high-rises and bars before retreating to your boutique hotel, and you can almost believe that after decades of isolation, Myanmar is squarely on the road to prosperity. Spend more than a few days, however, and the cracks start showing: intermittent power cuts, ancient sewage systems, insufficient housing for an influx of migrants from the countryside.

The situation is worse in rural Myanmar, where much of the population lives not just in extreme poverty, but also mired in debt. Bad roads make it costly to get goods to market and impede investment. Around three-quarters of the country’s children live in homes that lack electricity. Myanmar’s voters hope their first freely elected government since the 1960s, which took office this week, will change things for the better.

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Reprints

The task ahead is daunting: within South-East Asia, only Cambodia has a lower GDP per person. Its infrastructure (both physical and financial) is somewhere between crumbling and non-existent; its laws are archaic and, after decades of isolation and underinvestment in education, its skills base is woeful. Government revenue is another problem: corporate and individual tax rates are high, but few people pay. The incoming government of Aung San Suu Kyi’s National League for Democracy (NLD) will inherit high inflation, sizeable budget and current-account deficits, a volatile exchange rate and institutions both ossified and hollow after decades of corruption, stagnation and top-down rule.
Still, potential abounds. Myanmar has a young and cheap workforce, a long coastline, abundant agricultural land and an ideal location, wedged between the massive markets of China, India and South-East Asia. Expatriate Burmese are returning in droves, bringing enthusiasm and professional expertise with them.

Meanwhile, the baby steps taken under the outgoing government of Thein Sein have become a proper toddle. Preliminary figures show that GDP grew by around 8.3% in 2015; the Asian Development Bank forecasts much the same this year. Yangon’s new stock exchange saw its first listing on March 25th; as many as ten other companies may list this year. Foreign investment, particularly in telecoms and energy, is flowing in. Thanks to Miss Suu Kyi’s election victory, Myanmar has the world’s goodwill.

Miss Suu Kyi’s government says that agriculture will rank among its top priorities, which makes sense: directly or indirectly the sector employs around 70% of the labour force. Before a military junta seized control of Myanmar in 1962 it was the world’s leading rice exporter—a title many believe it could reclaim. But most farmers grow low-value crops without decent fertiliser or seeds. Bad infrastructure and Byzantine internal trade rules keep the domestic market fragmented and productivity low: in 2012 average annual income from agriculture in Myanmar was $194 per worker, compared with $507 in Bangladesh and $706 in Thailand.

In the near term, making it easier for farmers to get affordable credit would help. The main (and for decades, the only) source of rural credit is the state-run Myanmar Agricultural Development Bank, which provides only tiny loans. This sends farmers into the arms of informal moneylenders, who charge as much as 10% a month, fuelling a cycle of debt that often ends with farmers losing their land.

Myanmar’s new government will also have to tackle land rights: confusing and poorly enforced land-use laws impede foreign investment and leave rural farmers vulnerable to confiscation. The NLD’s election manifesto promises land reform, but given that it will require the new government to confront the still-powerful army, that is easier promised than delivered.

That hints at the first of two huge questions hanging over Myanmar’s economic reform: will the army and the NLD, inveterate foes until recently, be able to work
together? And after 50 years of military rule, will the creaking bureaucracy be able to adapt and at least try to meet the citizenry’s high expectations? As one foreign investor in agriculture notes, “The ministers may understand what needs to be done. But there are so many layers below of people who have been living differently for so long that [change] will take a long time.”