

Sustainable Democracy: Beyond Politics

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Excellencies, Distinguished Participants

- ***I would like to thank KPI for inviting me to participate in this very important and interesting event. It is a great honour to be part of this Congress.***
- Its topic, ***Thai Democracy and New Challenges***, suggests a focus on politics – political systems and processes.
- I am not a political scientist, nor a politician. My background as an academic and practitioner is in economics and international development and business.
- Fortunately, the topic for my address is ***“Sustainable Democracy: Beyond Politics”***. So let me take a moment on what I understand by *“sustainable democracy”*, and what I mean by *“beyond politics”*.
- I understand ***sustainable democracy*** to mean a ***stable liberal democracy***. Following Dani Rodrik (Harvard), I would suggest this involves a ***bundle of rights***, in particular 3 kinds of rights:
 - **Economic rights**
 - E.g. Property rights
 - **Political rights**
 - E.g. Participation in free and fair elections, allowing the winners shape policy decisions, subject to constraints set by other rights
 - **Civil rights**
 - E.g. To ensure equality before the law
- With respect to ***“beyond politics”***, ***I will approach this complex topic from an economic perspective.***
- But ***politics and economics are intimately and historically linked.***
- The foundation of economics by early classical economists such as Adam Smith and John Stuart Mill was called ***“political economy”***, though the modern economic discipline has strayed from this.
- ***Therefore in taking an economic perspective as a necessary dimension of “sustainable democracy”, we are in the spirit of the classical economists.***

I would like to suggest to you 5 propositions that summarize my address, then discuss each in turn:

- 1. Sustainable democracy, more generally a sustainable and stable political system, must rest on firm economic foundations***
- 2. For sustained economic growth and development, Thailand needs to undertake long-term structural transformation of its economy***
- 3. There is a potential dissonance and tension between the long-term structural transformation of an economy and sustainable democracy***
- 4. This dissonance is particularly important and challenging in the present uncertain and turbulent global economic environment***
- 5. The key challenge to sustainable democracy is to provide policy stability for a nation's economic transformation in a turbulent global environment – but policy stability, not rigidity***
 - For this, the political system must be able to generate and maintain over the longer term societal consensus for change -- while remaining open to recognizing and accommodating differing interests that may emerge over time***
 - For this societal consensus, growth must be seen as inclusive: provide clear and increasing benefits for the majority of the population***

1. Sustainable democracy, more generally sustainable and stable political system, must rest on firm economic foundations

- In focusing on economics, I am not suggesting that economic values are sufficient as the foundation for sustainable democracy.
 - Social and political phenomena are very complex.
- For some, liberal democracy may be an intrinsic good, an end in itself.
 - For example, the Nobel prize-winning economist, **Amartya Sen**, *argues that political rights is an intrinsically good and desirable outcome, irrespective of its impact on economic performance.*
- We are also well aware that economic development - industrialization, globalization – often brings undesirable side effects; often for the more vulnerable segments of society, e.g. environmental, social, ethical challenges.
- Therefore I am not suggesting that economic performance is sufficient for sustainable democracy. However, I do mean to stress that the effectiveness of an economic system, one that brings about increasing gains for the majority of the population, is a **necessary condition** for sustainable democracy.
- There is convincing evidence that for the majority of the population in diverse societies, democracy and more generally the role of politics is also closely linked as a means to improving the quality of life. And it is understood that way.
- ***In modern circumstances economic growth is more than a material means.*** It can also shape the social and political character of a society.
 - ***I am on weaker ground here, but I would suggest that economic growth, meaning a rising standard of living for the majority of citizens—more often than not fosters greater opportunity, tolerance of diversity, social mobility, commitment to fairness, and therefore it is supportive of sustainable democracy.***
 - ***The clearest and most convincing statement of this proposition is by Benjamin Friedman, in the book “The Moral Consequences of Growth”.***
- On somewhat firmer ground, I would suggest that ***when economies stagnate, when living standards decline, an increasing number of people feel their quality of life diminishing, and confidence in a better future declines, this has a significant impact on politics. It often leads to a weakening of democratic political institutions.***
 - History of advanced democracies – Britain, France, Germany, US – provide clear examples.
 - This is emerging again today in global trends with respect to attitudes to political leadership in general, and democracy in particular.

- *For example, as will be discussed later in point #4, there is clear evidence that economic difficulties arising from the 2008 Global Crisis contributed greatly to what has been a longer-term trend of declining popular trust in governments, institutions, political parties, politicians.*
- *The present challenges of advanced democratic nations also demonstrate that **being rich is not sufficient to prevent threats to political systems and to sustaining democratic values, when a large number of citizens lose confidence in a better future.***
- *In economic terms, the distribution of the gains of economic growth, or economic surpluses, is the normal business of politics in democracies.*
 - *This involves recognizing and reconciling differing interests over such distributions, through debate and compromise.*
- *However, the character of politics changes fundamentally when economic growth slows significantly. The challenge then is how to share the pain – in economic jargon the allocation of losses in what may be perceived as a zero-sum environment; where what I see you gaining, I feel I am losing.*
- *I would therefore like to suggest that economic well-being and progress occupy a central role the success of our politics, however organized.*
 - ***If economic well-being and progress are under threat, so are our political arrangements, in whatever form.***
- *The astonishing rise of China and the continued remarkable success of Singapore offer alternative models of economies organized in the form of state capitalism, but not attached to liberal democratic governance.*
 - ***This raises the issue of how different economic paths affect democratic political institutions. I will return to this later.***
- ***To conclude this point, I would suggest that economic progress and growth, and the belief in such progress, is necessary for sustainable democracy.***
- ***This brings me to the 2nd point.***

2. ***For sustained economic growth and development, Thailand needs to undertake long-term structural transformation of its economy***

- ***Thailand is a wonderful economic success story.*** It has achieved remarkable sustained growth and development over an extended period. This success was built on a rich natural resource base, driven by low-cost labour coming out of rural areas, supported by high levels of capital investment (prior to the Asian Crisis 1997), and facilitated by effective economic institutions.
- The Thai economy's growth has been strongly market- and outward- oriented, with the private sector playing a central role in responding to international product market opportunities, through impressive expansion and diversification of manufactured exports.
- The results have included a combination of sustained growth, macroeconomic stability, economic diversification, and increase in the quality of life as measured by most non-economic indicators, including dramatic decline in poverty.
- The Asian Financial Crisis of 1997 eroded but did not erase Thailand's gains from growth and development; and the economy generally recovered.
- In recent years there are clear signs that Thailand has been losing its comparative advantage based on low-cost labour; and that there may be underlying weaknesses in Thai firms' capabilities to compete in mid- and higher-technology processes and products.
- Income growth has stalled; inequality has increased, as elsewhere; and there remain important pockets of poverty.
- These conditions have given rise to concerns that Thailand has fallen into a ***"middle-income trap"***. The essence of the middle-income trap is ***being squeezed between*** economies that are *low-wage manufacturers, and those that are high-wage innovators*.
- ***The basic challenge facing Thailand is the transformation of the economy from growth driven by manufactured exports relying on low- cost labour, to a knowledge-based economy broadly focused on value creation.***
- To address this challenge, Thailand has formulated a very comprehensive and ambitious strategy for addressing the challenges of the middle-income trap and to generate growth.
 - It is a strategy for long-term structural transformation of the economy.

- The key elements of Thailand’s transformation roadmap include:
 - The **20-year national strategy as the overall framework** to address key challenges and opportunities
 - Translated in the medium term into the 12th 5-year plan.
 - **Thailand 4.0** focusing on innovation and creativity; and
 - **Eastern Economic Corridor (EEC)** intended as both a critical domestic growth center, and to position Thailand as a key economic gateway to the broader Asian region.

- I would like to take a moment for a closer look at the implications of Thailand 4.0 and the Eastern Economic Corridor (EEC).

- **Thailand 4.0** is aimed at strengthening future competitiveness by focusing on innovation-driven growth, building on advanced technology, and high-level skills, in order to generate high value added activities and growing incomes.
 - It includes development of new technologies, such as bio-tech and mechatronics.
 - It entails fundamentally transforming existing economic activities and sectors such as agriculture; and creating new industries, such as smart devices and robotics.
 - It involves creating new types of enterprises that are competitive in the emerging global economy, for example through E-commerce, Fintech.

- **Eastern Economic Corridor (EEC)** focuses on stimulating significant public and private investment in key infrastructure and selected future-oriented industries; and more generally to establish the EEC and Thailand as a critical center in, and economic gateway to the broader Asian region.
 - This includes investment in very complex infrastructure mega-projects, such as U-Tapao Airport and Aircraft Maintenance Hub, Sattahip Commercial Seaport, and new cities, with state of the art technology, in the 3 provinces covered.
 - It involves development of 10 industries to drive growth.
 - This includes significant technology and skill upgrading of 5 existing core industries (1st S curve), such as automotive, agriculture and food processing.
 - Development of 5 new industries (2nd S curve), through investment in high-level technology and innovations, such as digital technology, robotics, and bio-chemical/bio-fuel industry.

- Together, Thailand 4.0 and EEC aim to fundamentally transform the economy, and create the basis for sustained growth and development in a changing global environment. These are ambitious plans, and **face challenges in implementation. In identifying these challenges, let me stress that I strongly believe that the transformation strategy is both desirable and needed.**
 - It is useful, however, to be clear about the implementation challenges.
- **1. Investment needs are enormous.** The total estimated investment needs for the first 5 years of the EEC are around Baht 1.5 trillion, or US\$43 billion; much of it expected to be provided by the private sector, both domestic and foreign.
 - However, investment in Thailand has lagged significantly since the Asian Crisis. In the period 1990 – 1997 total investment averaged over 40 p.c. of GDP per year. Since then it has fallen to a little over half that, with declines in both public and private investment. Therefore an **effective framework for mobilizing needed investment is essential.**
 - It should be noted, this is similar to the experience of other Asian crisis-hit economies, including Malaysia and Indonesia.
- **2. Educational and skill development needs are perhaps even more challenging.** It means changing in important ways an education system that in the past has lagged in producing needed scientists, engineers, and technically trained workers and managers.
 - More generally, it has been relatively weak in the quality of basic science and mathematics education it provides, as measured in studies such as OECD's Programme for International Student Assessment (PISA).
 - It also means finding effective ways for the **private sector to help drive training and inform education**, as firms face gaps in the skills they need in a more technology-enabled workplace.
- **3. The needed investment in innovation is substantial.** For example, Thailand's total investment in R&D as share of GDP has averaged in recent years around 0.5 – 0.6% of GDP. This is well below countries such as S. Korea's world-leading over 4% of GDP; Singapore and China, with well over 2%; and Malaysia with well over 1% of GDP. The Thai private sector's investment in R&D has been particularly low, as compared with those of such economies.
 - Therefore effective programs and institutions are essential for mobilizing investment in technology and innovation, particularly by private sector.
- **4. The related institutional changes that are required are considerable.** For example, with respect to education and skill development, in addition to strengthening the educational institutions, it will also be necessary to increase the linkages between educational institutions and firms. With respect to innovation, it means strengthening the capacity of innovation-related government agencies and research institutions; and the linkages between

universities and firms. Institutional change will have to be a **collective and collaborative** process.

- **5. The development path involves an uneven distribution of costs and benefits.** For example, there will be groups directly benefiting from particular infrastructure projects, and investments in new high-technology/high-skill industries; and there will be groups benefitting less, e.g. lower skill labour, and groups asked to shoulder significant costs.
 - *All development strategies, by their very nature, involve an uneven distribution of benefits and costs.* The challenge is to ensure that the development path involves improving the quality of life of the majority of the population, directly and/or indirectly.
- **Let me stress again that I believe that the transformation of the Thai economy envisioned by the 20-year strategy in general, and Thailand 4.0 and EEC in particular, is both desirable and needed.**
 - *I believe that the implementation challenges are generally well understood.*
 - In identifying the significant challenges, my intent is to underline that **successful implementation requires significant resources, a collective effort, and a long-term process of economic and societal change.**
 - Thailand's "20-year strategy" time horizon is a likely to be a reasonable estimate of the time needed to effect such transformation.
- **This extended time horizon and significant demands of implementing the fundamental economic transformation envisaged, will also require creating and maintaining a level of societal consensus, and a supportive but also adaptive political system.**
- **This brings me to the 3rd point**

3. There is a potential dissonance and tension between the long-term structural transformation of an economy and sustainable democracy

- The long time horizon, and uneven benefits and costs of the structural transformation of an economy are up against the shorter-term and uncertain timetable and outcomes of a democratic political process, e.g. involving periodic elections over the medium term, often reflecting shifting societal expectations and preferences.
- ***In general, the empirical literature on the “democracy – economic growth” relationship has not been able to provide a clear-cut answer to this dilemma.***
 - The many studies find weak positive, negative or no association.
- In the absence of a clear resolution of this issue, some people, like Amartya Sen as mentioned earlier, side-step the democracy-growth question by taking the position that democracy, in providing political rights, is intrinsically good and a desirable outcome, irrespective of its impact on economic performance.
- It may be useful to take a moment on the historical context of this issue in the East Asia region, including both Northeast and Southeast Asia.
- East Asia has achieved historically unprecedented sustained economic growth, development and transformation over an extended time horizon, particularly in the period from the 1970s to the 1990s.
- In East Asian development thinking, growth has been the central objective of policies and resource mobilization; generally supported by an elite technocracy in the formulation and implementation of policies.
- Political systems of most East Asian economies during the sustained long-term high growth years was aptly described by Professor Izumi Ohno of Japan as ***“authoritarian developmentalism”***, or an ***authoritarian state with economic capability***.
- ***Political legitimacy was derived from successful economic growth and development***
- ***The argument for the strong state, or developmental authoritarianism in East Asia*** may be briefly summarized as deriving from its ability to *engage in long-term development planning, establish development priorities, and coordinate implementation among various public and private stake-holders.*
- In some cases this has taken the form of a one-party rule, as in China and Vietnam with the Communist Party.

- For many countries strong authoritarian developmentalism was a transition stage, lasting 2 – 3 decades, as an instrument for achieving growth and structural transformation.
- However, unlike a well-functioning democracy, one critical shortcoming of authoritarian developmentalism in whatever form, is that it has no built-in mechanism for smooth power transition.
 - The ruling party or regime tends to generate a web of beneficiaries and supporters, what the economist Albert Hirschman called vested interests, who then more often than not, resist reforms.
 - They become a significant constraint on future change needed as an economy and society evolve.
- Allow me to take a brief moment on China's experience, as it is *increasingly held up as an alternative model of political economy, able to plan long term, and achieve impressive sustained growth as an "authoritarian meritocracy"*.
 - *China is also faced with a political economy challenge*
 - *The **fundamental economic challenge** is the rapid and extensive increase in debt-funded unproductive investment that has fuelled recent growth.*
 - *The investments have been made primarily by government at various levels -- by SOEs and local government-linked agencies, financed by state – linked banks -- at the expense of households and SMEs.*
 - *To address the economic problem requires **reallocation of economic power** from SOEs and local governments; to households, to increase consumption; and to SMEs, for smaller but more efficient investments.*
- ***This is really a political challenge: taking power away from entrenched vested interests that benefit from the existing economic development model. As noted, this is not an easy task in a non-democratic political system.***
- *Much of this is well understood by many key Chinese decision makers*
- *Perhaps this is one reason for centralization of power by Premier Xi: to deal with the constraint of vested interests for the needed rebalancing of the economy*
- ***From my very limited knowledge, I would suggest that South Korea provides an interesting example of successful economic development with political transition from authoritarian developmentalism to sustained democracy.***
 - *South Korea successfully achieved what economists call **intra-sector upgrading**, or moving into higher value segments in the same sector or industry – for example in electronics; as well as **inter-sector upgrading**, or moving into new, higher-value added industries, e.g. mobile smart phones.*
 - *This kind of upgrading is a key objective of Thailand's present strategy.*
 - *Politically, South Korea evolved from an authoritarian developmental model, to sustained democracy.*
- ***Professor Kang Won Taek on the following panel could speak far more to the Korean experience.***

- ***Allow me to make some observations now on Thailand.***
- ***As noted, Thailand achieved remarkable combination of sustained rapid growth, macroeconomic stability, economic diversification, and continued declining poverty, especially until the Asian Crisis of 1997-98.***
- A key factor facilitating this economic transformation was ***policy stability***, even while there were many changes in government
- We first moved to Thailand in 1983. Throughout the 1980s and 1990s, into the early 2000s, there were many changes of government, through various forms.
- ***However, there was generally continuing economic policy stability.***
 - *That is, economic growth and transformation took place in the context of a political environment that while unstable in terms of specific governments, provided continuing general policy stability with respect to basic economic objectives and development direction.*
- In recent years there seems to have been a loss of essential economic policy stability.
 - This is in part because, while the ***past economic development model which was so very successful in transforming the economy and society in important ways, it has run its course.***
 - This was a model based on *labour-intensive export-oriented manufacturing, fuelled by movement of labour from agriculture to industry; along with access to foreign investment and international markets.*
- ***Thailand's turbulent politics of recent years may be seen, from this perspective, as arising in part from a societal transformation that has been driven by many years of successful rapid sustained economic growth and diversification. This put increasing strains on the political system, particularly as the pace of growth slowed and stalled in recent years.***
- ***The emerging domestic challenges are also the result of an international environment that has changed in important ways,*** particularly since the late 1990s, with the acceleration of globalization of production and capital flows.
 - The Global Crisis of 2008 was an important break point in the international economy, whose full implications are still being played out.
- *This has had a significant impact on Thailand's export-driven growth.* It strongly contributed to formulation of the long-term economic development strategy touched on earlier, including as key components Thailand 4.0 and the EEC.

- The present economic strategy poses a new form of older challenges to politics, and to sustainable democracy in particular: ***How to reconcile the requirements of long-term structural transformation of an economy, with the shorter-term time horizon and uncertain outcomes of democratic politics.***
- ***This is particularly challenging in the present turbulent global environment.***
- ***This brings me to my 4th point.***

4. The dissonance between the long-term structural transformation of an economy and sustainable democracy is particularly important and challenging in the present global environment.

- Thailand is embarking on a fundamental transformation of its economy in the midst of continuing global uncertainty, volatility and change.
 - Growth prospects of the world economy are clouded over the medium and longer term by uncertain global demand; uncertain financial flows to emerging economies; continuing low commodity prices; and the impact of disruptive technologies on global production and employment.

Global economy

- The IMF in its most recent, October 2017 World Economic Outlook is forecasting somewhat higher global economic growth rates of 3.6 – 3.7% for 2017-2018.
- But its real message is in the title of the report: ***“Seeking Sustainable Growth: Short-Term Recovery, Long-Term Challenges”***.
 - *It is that the recovery may be short-lived, given longer-term uncertainty and risks to the global economy that is the more important message.*
- ***International trade growth volumes have fallen and continued*** to lag since the 2008 Global Crisis; and are forecast to continue to fall significantly below global GDP growth in coming years.
 - In developed economies, the primary final markets for the region’s and Thailand’s exports, that have driven past growth, e.g. US and EU, *incomes have stagnated or fallen for about two-thirds of households* in 2005 – 2014; for the first time on such scale since the stagflation of the 1970s.
 - As East Asia’s exports to the G3 developed economies – US, EU and Japan – have fallen, so has trade among the countries of the region.
 - China’s needed economic rebalancing from investment- and export-driven, to consumption-driven growth is uncertain. It is likely to mean slower growth. And even if successful, it will not automatically translate into correspondingly increased imports from the region.
- ***It is not clear where demand will come from, to drive global growth.***
- ***Cross-border financial flows are also problematic*** They are well below their earlier peaks, and at a level comparable to that of the early 2000s.
 - Net capital inflows to emerging economies, including East Asia, have fallen quite significantly.
 - This is not because there is no money around. There are great pools of liquidity earning very low returns; while at the same time there are massive needs in infrastructure finance.
 - The rise of U.S. interests rates will impact on both exchange rates and the debt profile of emerging economies, tightening financial conditions.

- **Commodity prices have fallen: expected to remain low in coming years.**
 - For example, agricultural commodity prices dropped over 20% since their peak in 2011, and are not expected to increase much in the medium term. This benefits resource importers, but not exporters.
- **Disruptive technologies, much of it involving smart manufacturing including robots, are restructuring industries and jobs.**
 - A recent McKinsey study concludes that adaptation of just the present automation technologies could affect half the world economy and jobs.
 - International Labour Organization (ILO) 2016 study of ASEAN suggests that as much as half the workers in selected ASEAN economies are at risk of losing their jobs (Cambodia, Indonesia, Philippines, Thailand, Vietnam).
 - Although such projections should be taken with a big grain of salt, high-risk sectors include garments, automobiles and parts, electrical and electronic goods – all key pieces of Thailand’s manufactures and exports.
 - As an example, Adidas using 3-D printing set up two “Speedfactories” in Germany, and Atlanta, each to produce 500,000 pairs of shoes annually. ***The transfer eliminates 1,000 jobs in Vietnam, and creates 160 technician jobs each in Germany and Atlanta.***
 - Automation of knowledge work is reflected in a recent Nation article on Japanese banks rapidly digitizing operations, and planning to cut a large number of jobs, due to the spread of financial technology.
- **Disruptive technologies are disrupting economies**
 - ***New technologies and shifting patterns of globalization suggest the need for the structural transformation of many economies.***

Global politics: How does evolving, uncertain, and turbulent global economic environment relate to politics in general, sustainable democracy in particular?

- The Economist Intelligence Unit’s (EIU) Democracy Index 2016 report is entitled ***“Revenge of the Deplorables”***. The title captures what the EIU terms as the “popular revolt against political elites who are perceived by many to be out of touch and failing to represent the interests of ordinary people”.
 - It reflects a significant decline in popular trust in government, elected representatives, and popular parties.
- ***This is particularly evident in the most mature democracies and developed economies, such as the US, UK and Western Europe.***
 - *A total of 72 countries experienced a decline in their democracy scores, almost twice as many as countries that recorded an improvement (38).*
- As the EIU and other studies have shown, this is not just a 2016 blip. It is part of what has been a ***long-term trend of declining popular trust in government institutions, political parties, and politicians.***
 - This is seen more generally as a ***crisis of democracy.***

- Consistent with this, using the World Values Survey, Roberto Foa and Yascha Mounk in a recent article, “The Democratic Disconnect” shows that belief in core tenets of liberal democracy is in decline, especially among those born after 1980.
- ***A key, if not only reason for this general decline in confidence in democracy, is economic.*** It is related to the Global Crisis of 2008 and the prolonged economic slump that followed, leading to GDP contractions, unemployment, income inequality, poverty, and the Eurozone debt crisis. But its roots go back before the Crisis, for example, to stagnating real incomes, noted earlier.
- Related to this is also a growing ***disenchantment with economic globalization*** by a large segment of the global population who feel they have not benefited, and have been left behind.
- In the face of the ***growing disaffection towards representative democracy***, there has been growing interest in new modes of citizen engagement, ***in different polities and cultures on many continents.***
 - An example is “*deliberative democracy*” in Tuscany, Italy; where public engagement is institutionalized in legislation that guarantees the support and funding of citizen engagement by law.
- ***In general, then, economic performance, in particular continuing economic growth and continued progress, has important linkages globally to politics in general, and sustainable democracy in particular.***
- ***This has important implications for Thailand’s present economic strategy, and its relationship to sustainable democracy.***
- **This brings me to the 5th and final point.**

5. ***A key challenge to sustainable democracy is to provide policy stability for a nation's economic transformation in a turbulent global environment -- but policy stability, not rigidity***
- ***For this, the political system must be able to generate and maintain over the longer term societal consensus for change -- while remaining open to recognizing and accommodating differing interests that may emerge over time***
 - ***For societal consensus, growth must be seen as inclusive: provide clear and increasing benefits for the majority of the population***
- Thailand's 20-year economic strategy, in particular, Thailand 4.0 and the Eastern Economic Corridor (EEC), ***reflect an understanding that in the evolving global environment, "business as usual" is not likely to succeed in promoting sustained economic growth and development.*** Therefore they focus on building a competitive economy for today and tomorrow's world.
 - ***They rightly emphasize high-level skills, advanced technology, and innovation.***
 - As noted, beyond investment in projects and programs, this also requires the more complex task of ***building appropriate institutions.*** It also requires ***effective collaboration among a variety of stakeholders*** at different levels: national, sectoral/industry, and local; domestic and foreign.
 - Implementation of Thailand's transformation strategy, as with all economic strategies, will inevitably involve an ***uneven distribution of costs and benefits.***
 - An important challenge then is how to compensate losers, or to help turn them into winners over time, in order ***to maintain the necessary societal consensus for long-term economic transformation.***
 - For example, given the focus on high-technology/high skills, we need to ***rethink safety nets,*** as many workers will need assistance adjusting.
 - Partly related to this, ***differences on social and economic priorities*** are also likely to emerge during the transformation process, and the political system must be able to recognize and accommodate such differences.
 - In the economy, it means, for example, ensuring there are effective initiatives to support the small- and medium-scale enterprises (SME) that employ over 80% of the Thai labour force; and particularly, for lower-skill workers, the majority of Thai workers, who are most at risk in the global competitive environment and in the necessary economic transformation process.
 - Just as a brief ***example,*** it is possible to consider innovation not only as advanced high technology-driven, but more broadly, as also adapting existing technology for particular local needs and constraints of Asian emerging market customers. This is a "demand side", market-responsive approach to innovation; where

investing in understanding the region's customers is as important as investing in technology. This is sometimes referred to as **frugal innovation**.

- This approach could provide additional opportunities for the internationalization for Thai SMEs, and therefore for generating productive jobs and incomes for wider groups.
- More generally and fundamentally, ***an inclusive economic strategy, that provides clear and increasing benefits for the vast majority of the population, is an essential building block of sustainable democracy.***

Concluding thoughts

- ***So what? Where does all this leave us?***
 - ***Let me briefly conclude as follows:***
- ***Thailand is embarking on a bold, complex, and needed strategy for the transformation of the economy to generate growth and development.***
- ***A key dimension of the challenges of sustainable democracy is then economic: to create conditions for, and sustain inclusive economic growth, in particular, for the necessary long-term economic structural transformation.***
- ***This is my interpretation of "sustainable democracy: beyond politics".***
- ***It then raises the question that just as economic market-supporting institutions can take different forms, for example in the US, Western Europe, China, Japan, India, Singapore; can there also be diverse forms of liberal democracy that can both provide needed economic policy stability, and yet accommodate and reconcile divergent interests that emerge?***
- ***Can liberal democracy be also compatible with a variety of institutional frameworks, that equally guarantee economic, political and civil rights?***

THANK YOU