The background of the slide features a low-angle shot of several modern glass skyscrapers reaching towards a blue sky with scattered white clouds. The buildings' glass facades reflect the sky and each other. In the foreground, the Thai flag is visible, with its characteristic horizontal stripes of red, white, and blue, though only the top portion is shown, appearing as a diagonal band across the bottom of the frame.

International  
Assignment

# **Globalization** Thailand

-Pranav Bahl

## Globalization: A Dual-Edged Sword

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### Introduction

Theories of international trade show that with specialization in production and openness of trade, the world as a whole can benefit by exchanging commodities.

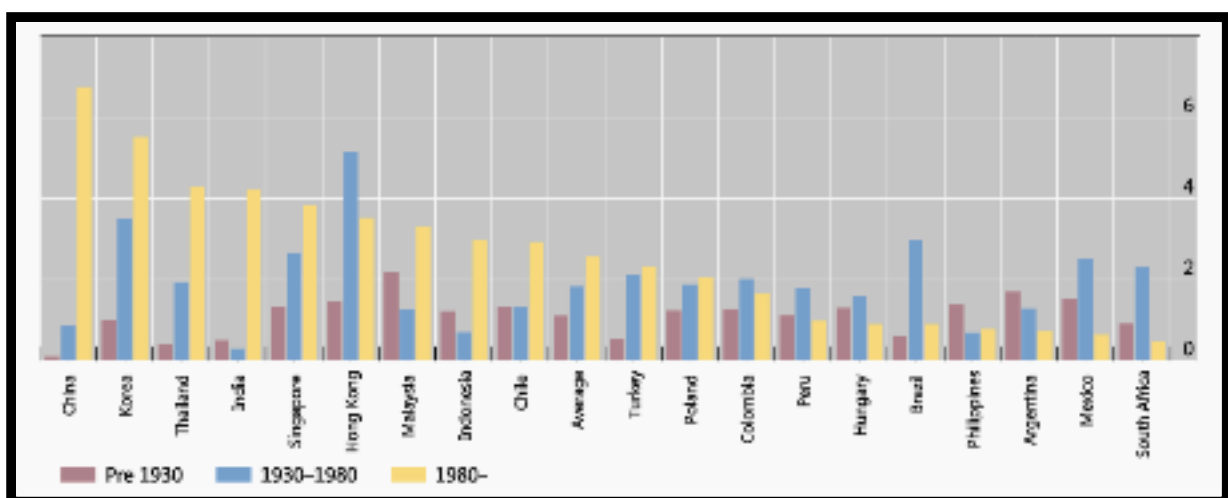
Further yet, since optimal tariff for a small open economy is zero, for any commodity where a country has no real buying power there should not be any tariffs right? They are inefficient, they reduce consu....

What this line of reasoning fails to capture is that all nations are different; different levels of income, different social and political backgrounds and different levels of education. These theories gave us an idea of how free economies could potentially benefit the world as a whole but were unable to explain the effects on each individual nation. For some globalization may have boosted growth and development, while for others it created economic turmoil leading to poverty and dependence.

The point is: globalization for an emerging nation depends on the country's dynamics, the quality of FDI, the degree of openness and the support it receives from developed nations. Globalization being good or bad then is internal to the country.

**I, however, believe that globalization has done more good than harm.**

In my research I found a handful of countries (Jamaica, Ecuador and Dominican Republic) that suffered as a consequence of opening up, while several emerging countries (India, China, Israel, Bangladesh etc.) had benefited.

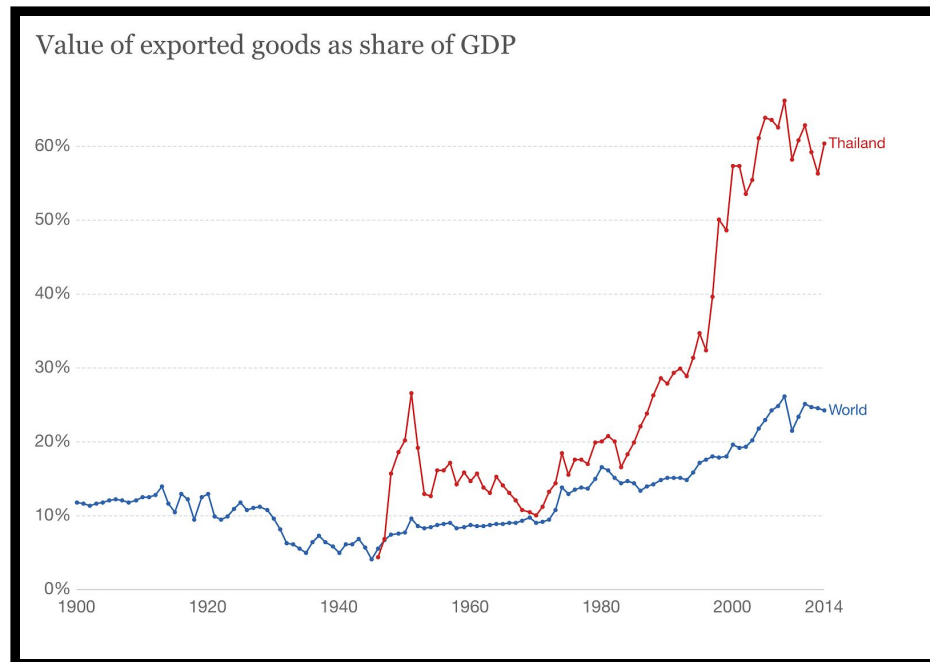


Source: IMF

This graph shows the PCI growth rates of emerging economies in different periods and the results speak for themselves. Barring South Africa and Latin America, all these countries

have shown a higher growth rate in the present years than in the past. Now it is possible that these countries have grown so much in recent years because of growing technology and mechanization. However the diffusion of this technology in itself is a result of globalization.

Still the next graph shows exports as a percentage of GDP, with the idea that a higher ratio indicates a higher openness to trade.



**Source: World Bank**

The world Export-GDP ratio has grown from 15-16% in 1980 to 24% in 2014.

For the purpose of this assignment I have chosen Thailand to show how much of a positive effect globalization can have on a country's growth and explain the supposed negatives of it.

Thailand is apt because the benefits of globalization are clearly reflected in the trade data however the other factors as I mentioned earlier (education, political scenario etc.) have hampered the potential growth from globalization.

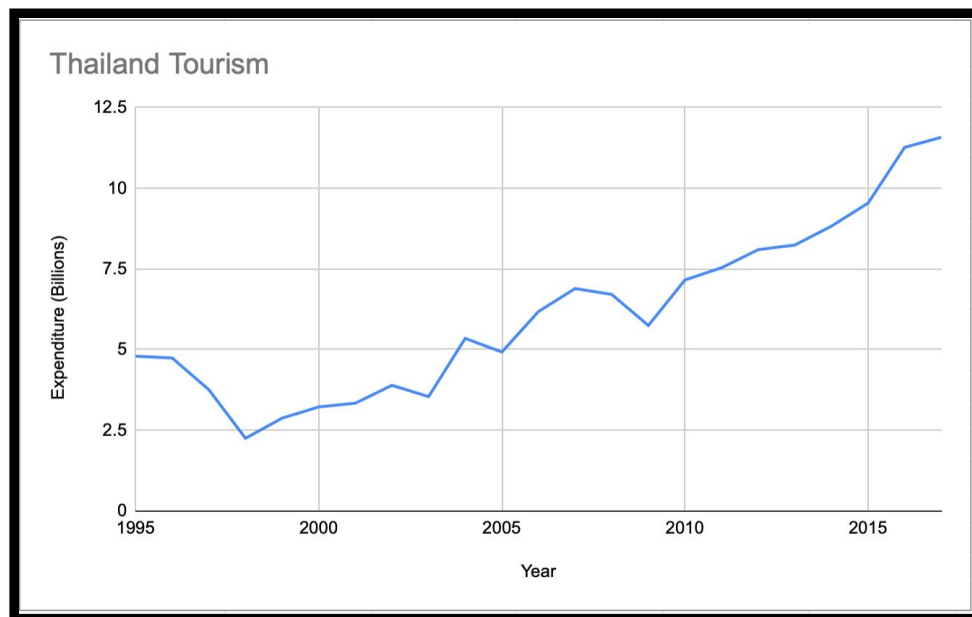
# **Thailand**

**(1970-Present)**

## **Sectoral Performance**

### **-Tourism**

This sector has benefited directly from globalisation, witnessing a CAGR of 5% since 1995 which is truly impressive.



**Source: World Bank**

The government views tourism as vital to steer the economy, reduce poverty and decrease income inequality. The government also centres on sustainability by encouraging responsible tourism. They have initiated several policies in the past to expand the number of international tourists during economic slowdowns such as waiving tourist visa fees for tourists from 19 countries, and cutting the fee of visas on arrival by half.

### **-Textile Industry**

The Thai government has recognized the potential of the textile industry and has thus been devoted to enhancing its efficiency by providing support through capital, knowledge, resources, and infrastructure. The government plans at launching the Bangkok Fashion City Project as a means to promote Thai apparel industry internationally.

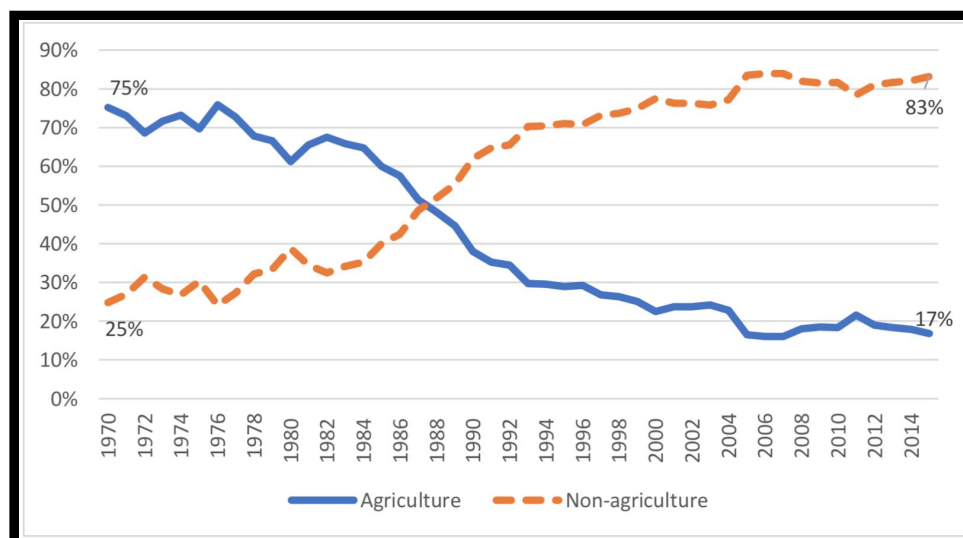
The structural change of Thailand's economy due to globalisation is also important to note which we measuring using:-

**a) Changing trade patterns**

**b) Productivity and PCI growth (sector-wise)**

**a) Trade Pattern**

Thailand's trade pattern has changed drastically since the 1980s, when more than two-thirds of export earnings came from agriculture and less than one-third came from manufacturing. By early 2000's, agriculture contributed approximately one-eighth of export earnings and one-tenth of the GDP, while manufacturing accounted for virtually everything else. The portion of import expenditure on machinery, components, and raw materials also had increased from less than half to more than three-fourths from 1970 to 2000. Without globalization this move towards industrialisation would have never happened.

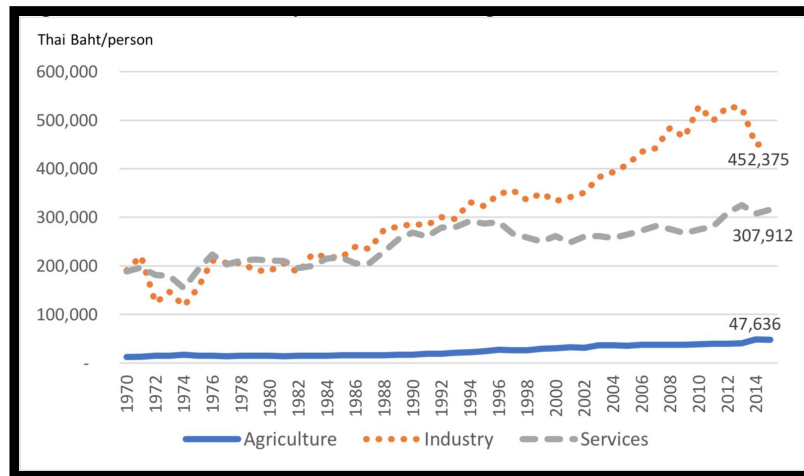


**Export Shares of Agriculture and Non-agriculture to GDP during 1970-2015**

**Source: Office of Agricultural Economics and Ministry of Commerce.**

**b) Productivity and PCI growth (sector-wise)**

Now this changing trade dynamics does not reflect prosperity in itself because it is indeed possible that agriculture was providing a better livelihood to the people employed in the sector(viz-a-viz manufacturing) so I compared the productivity of people employed in all three:- agriculture,manufacturing and services in terms of the remuneration they received.

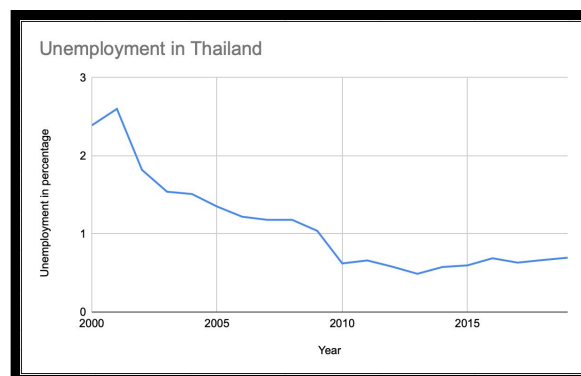


### **Labor Productivity in Thailand during 1970-2015**

**Source: NESDB and NSO data**

The income-per-worker was inflation-adjusted so the rise spelt a real increase in purchasing power. Agriculture incomes saw a very marginal increase while manufacturing incomes doubled and services saw a 1.5 times increase. Moreover, this economic transformation can be explained in terms of technical change, often measured as change in TFPG. This is a direct indicator of globalization since technical know-how is transmitted at a much faster pace once the country opens up to trade and investment.

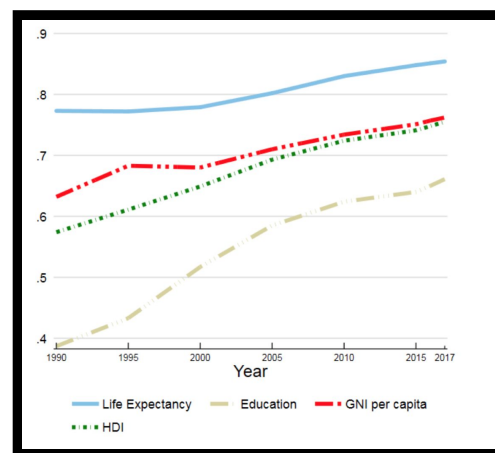
## **2. Employment**



**Source: World Bank**

Thailand has one of the lowest rates of unemployment in the world, reaching a low of 0.68% in 2018. Though this is in part due to overemployment in the agricultural sector, globalization has kept its word as far as creating jobs is concerned.

### 3. HDI



**Source: UNDP**

Thailand has seen its HDI ranking increase from 0.57, below the world average of 0.597 in 1990, to 0.76 which is above the world average of 0.728 in 2017, putting it in the high human development category. Thus life in general has become better after globalisation for Thailand.

### 4.External Debt

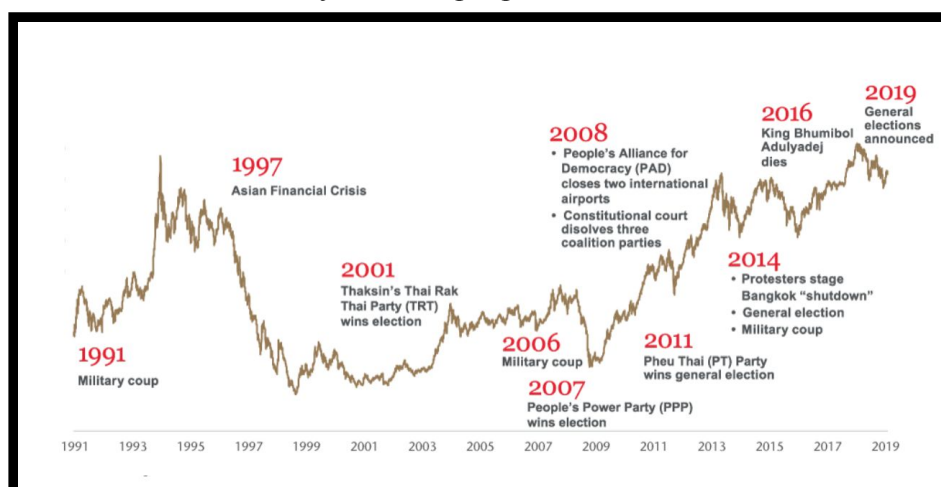
Due to the Asian Financial Crisis in 1998, Thailand was forced to borrow \$17.3 Billion from IMF, how this was repaid duly two years ahead of schedule in 2003. As of today, Thailand's Foreign debt-to-gdp ratio is 33%, not a worrisome number. It's foreign currency issuer rating was raised in 2019 from BBB to A- which also decreases the cost of foreign borrowing for the government. This comes following continuous current account surpluses and high international reserves relative to foreign-denominated currency debt.

### What is wrong then?

Globalization can only do so much to improve the welfare of a nation.

Power struggles and internal conflicts have plagued Thailand for a long time.

So severe is the situation that the 2013-14 Thai political crisis saw the imposition of martial law or the direct rule of the military over the people.



**Source: Bloomberg**

The image encompasses all the other political rifts which have hampered the potential growth in Thailand.

### **Conclusion**

To end with an analogy;

globalization does not take the floor away from workers in a country, it pushes the ceiling. Those who can jump higher are simply rewarded more.

The percentage of people below the national poverty line decreased from 65.26 percent in 1988 to 8.61 percent in 2016, according to the NESDB's poverty baseline, yet inequality increased.

Thailand has been greatly helped by globalisation, its HDI, employment, PCI and employment all reflecting this. However, this growth would have been higher if political stability was achieved.

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### **References**

**[Globalizationandsocialdevelopment](#)**

**<https://www.oecd.org/countries/thailand/globalisation-inequality-and-thailand-4-0.htm>**

**[http://hdr.undp.org/sites/all/themes/hdr\\_theme/country-notes/THA.pdf](http://hdr.undp.org/sites/all/themes/hdr_theme/country-notes/THA.pdf)**

**<https://www.bangkokpost.com>**

**[TourismIndustryinThailand](#)**