

Report on Participation in [2013 Thailand Field Research Trip]

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I. Brief Situation and Development Road

Thailand is considered as a newly industrialized country. In 2012, Thailand had a GDP of \$366 billion, and its GDP per capita in 2012 was \$5,390¹. As one of the Tiger Cub Economies, from 1985 to 1996, Thailand experienced a rapid economic development, enjoying the world's highest growth rate from 1985 to 1996 – averaging 12.4% annually². The financial crisis in 1997 gave a heavy hit to Thai's economy. The GDP decreased by more than one tenth in 1998. Its economy quickly started to recover in 1999. Till today, Thai's economy still maintains in the front row in Southeast Asia.

Thailand's economy is heavily export-dependent. Two-thirds of its GDP depend on exports. Thailand exports an increasing value of over \$105 billion worth of goods and services annually. Major exports include Thai rice, textiles and footwear, fishery products, rubber, jewelry, cars, computers and electrical appliances. The industrial and service sectors are the main sectors in the Thai gross domestic product. Thailand's agricultural sector produces 8.4 percent of the GDP, but it is regarded as highly competitive, diversified and specialized. Its exports are also very successful internationally. Thailand is the largest rice exporter in the world and it is also the only net food exporter in Asia.

Though it is said that all roads lead to Rome, in order to achieve fast development, there seem to be not many choice for developing countries, especially in today's world. Starting from the import substitution strategy, instead of net import, is the way most developing countries chose to seek for the development. They expect to achieve strong domestic industries and smoothly begin to export. It is exactly the same route that Japan had experienced in its early days, which is concluded as "Flying-Geese" theory by Japanese scholar Akamatsu in 1930s.

II. Concerns of the Possible Trap

All the developing countries started the way with the dream of flying. However, later most of them found that it is really difficult to copy Japan's success. Expect for various different reasons, we had to admit the importance of development opportunity.

In old days, becoming "the factory of the world" means achieving the economic leading characteristic in the world, but it doesn't work any longer. With the development of foreign investment and transnational companies, the developed countries can still firmly seize the biggest profit even in the case that the whole production process is not in the domestic land. The developed countries have already finished their initial accumulation of capital. Along with it, more importantly, their societies have experienced very huge change. The environment is more convenient for the further development. At the same time, the great development of education makes it easy for them to develop and master the latest technology, which represents the core competitiveness today.

¹ Thai Economic Performance in Q1 and Outlook for 2013, Macroeconomic Strategy and Planning Office, 2013

² Wikipedia: "Thailand"

During our trip to Thailand, the concept of “knowing how” was mentioned in the lectures. Unfortunately, the current situation in Thailand is not that optimistic. Though there are big companies such as CP are equipped with great ability of doing the R&D on their own, most of the Thai companies are still doing the job without knowing how. So after losing the comparative advantages in labor cost, the continuing development really needs to concern.

In the trend of globalization, the openness of most economies in the world has increased. In order to catch up with the pace the world leading economies, the developing countries went even further than the developed countries. But it still surprised me that the openness rate of Thailand reached 100% in 1988. In the case of a developed economy, which is mature and powerful, it has much more ability to protect itself than the developing countries. However, in most cases, the openness level of developed economies is not that high. America, the very leading economy of the world, its openness rate is only 30%. In fact, these developing countries are using their market and resources to trade for the development opportunity, which might be dangerous, but it seems that they don't have other choice.

Nowadays, the economic crisis expands faster and wider than before, and the developing countries also suffer because they depend a lot on the world market. In other words, they are involved deep in the world economic chain, so they have to pay for other's fault. With the great expansion of the financial sectors in developed countries, focusing more on the real economy could be one of the limited advantages that developing countries own. However, in this case, this advantage weakened.

In addition, during the development, one of the common problems among developing countries is the unbalanced development. The situation is also serious in Thailand. Bangkok, the capital city, is the biggest city and the center of Thailand in all sense. It is also the second largest city in Southeast Asia, after only Singapore. Most of the economic resources gather at Bangkok, attracting most of the investment every year. Over time, it leads to heavy burden for Bangkok as well as the lack of opportunity for other areas. I was impressed by the words that Bangkok cannot represent the real situation in Thailand. And if this situation would not be changed, in the near future, it will be a problem for further development. However, it is a pity that we have no chance to have a tour that can give us a clear and direct image of the whole Bangkok as well as Chiang Mai. So we are not able to get a visual contrast.

And in terms of Gini Coefficient, the number reached 0.52 in Thailand, which has run across the warning line of 0.4. Theoretically speaking, with such a high Gini Coefficient, the society would be very unstable. I think that is one of the economic reasons for the frequent political problems in Thailand.

Sometimes, I feel like the developing countries, including Thailand and China, are stepping in the trap. They want to develop, but the current development itself ruined the future chance of their development. Maybe it is too pessimistic, but the common development road is really worthy of reflection. In my opinion, one of the truths is that the late-move advantage becomes less and less. The developing countries today have to face with bigger challenges. It is really hard for developing countries to deal with the various social problems well while achieve the economic development, but they have to. However, to achieve a fast development is always the eager demand of both the developing countries and their people. Under this hot expectation, I think there are enough reasons for me to believe that either the government or the people will come up with a solution to solve the dilemma today. And only developing further itself can solve the problems that appear in the development.

III. Feelings of the Trip

This trip is my first time to go to Thailand, and it is a wonderful trip. Thailand is a very comfortable country, with a

slow pace of life, and you can relax yourself in the moist air. This trip also offers me a very good chance to not only learn the knowledge on all the aspects of Thailand through the lectures, but also experience the culture and life by ourselves. It is helpful to widen our horizon and inspire the interests.

References:

Thai Economic Performance in Q1 and Outlook for 2013, Macroeconomic Strategy and Planning Office, 2013

Year 2012 Report on Economic and Monetary Conditions, Bank of Thailand, 2013

Wikipedia: "Thailand", "Economy of Thailand"

Lectures Notes in Thailand