

“Thailand Economy – Its Strategies, Prospects and Challenges”

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Agenda – Thailand Economy

- I. Thailand Economic Setting,**
- II. Strategies (+ Prologue),**
- III. Prospects and**
- IV. Challenges.**



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I. Thailand Economy Overview

- Fastest econ. growth rate since the crisis
- Driven mainly by private consumption and somewhat by export and private investment
- Poverty has fallen below 10%, lower than '96 resulting from increase in real farm income
- Sustained macroeconomic adjustment has reduced external vulnerability further.
- Export remains robust with est. growth more than 10%



Source : World Bank (Oct 2003)

II. Prologue : Globalization & Trilemma

1. **Capitalism** is a belief in **'inequality'**. It is a 'free' market oriented system and based on rational self-interested individuals.
2. **Democracy** is a belief in **'equality'**. It is a political process based on one man, one vote with guaranteed 'freedom of speech'.
3. **Social Welfare maximization** should be a government main objective. State social welfare system is invented to make capitalism and democracy ideals **compatible**.

Is the basis of **'Thaksin-omics'** – Dual Track ?



Source : Hoontrakul (1999)

II. Strategies: Trilemma on Political Econ.

Democratic Societies rely upon voting to establish social, political and economic objectives.

The essence of Thailand's dual track are

1. 'Social Welfare and Grass Roots' Approaches – citizen's welfare and
2. 'Creative Destruction' by 'FTA/ Open Regionalism' and state assistance approaches – business' welfare

Trade-off between the principles of economic efficiency and distributive equity given different speed of adjustments.



See Hoontrakul 1998, 1999, 2003

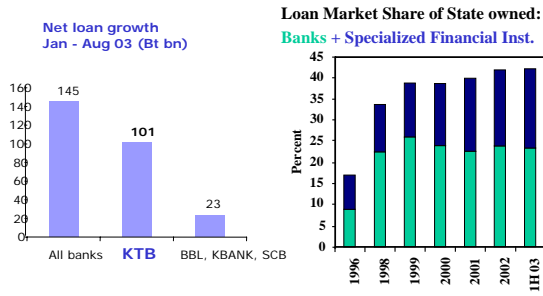
III. Prospects: Thailand Economy

- The outlook for 2004 is rosy with recovery expected to continue.
- Exports are expected to grow at slower pace because of capacity constraints and mild foreign exchange appreciation.
- Fiscal consolidation continued. High tax revenue is expected from high growth rate.
- Public debt would continue to fall below 50%
- National contingent liabilities may rise as more public (unfunded) initiatives [e.g. social security, 30 baht care scheme, SME credit guarantee, Vajupak mutual fund guarantee..] are committed.



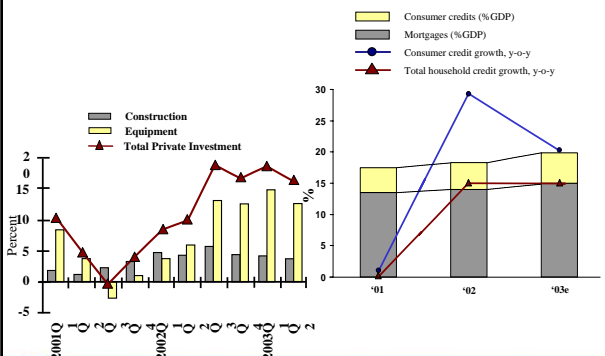
Source : World Bank (Oct 2003)

Table 1 : Thailand State Bank Lending Dominance



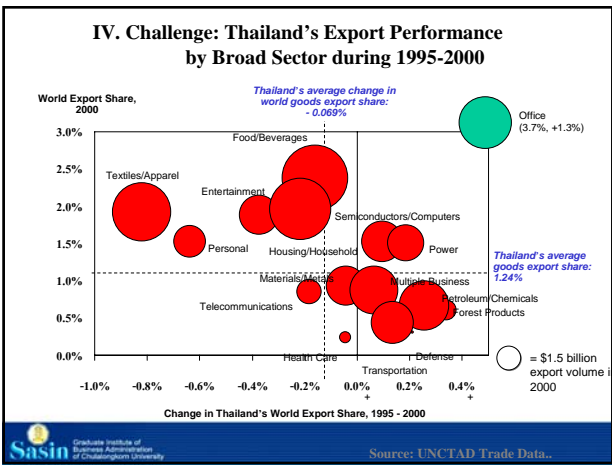
See World Bank (2003)

III. Consumer Credit, Mortgages, Private Invest. as of Jun 30, 03

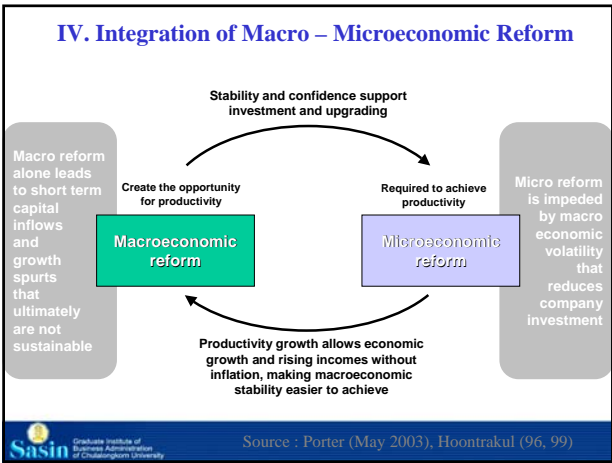


Based on data from Bank of Thailand

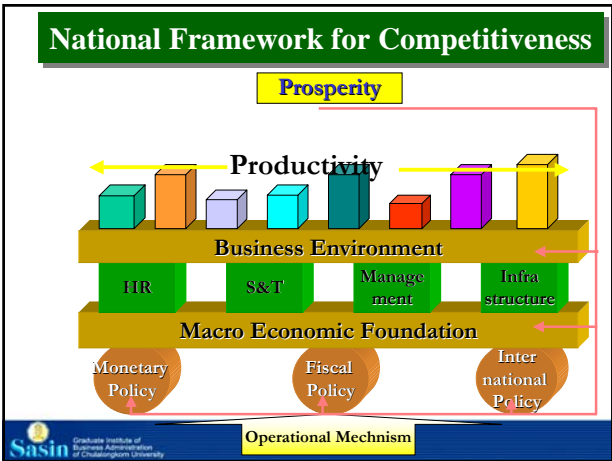
IV. Challenge: Thailand's Export Performance by Broad Sector during 1995-2000



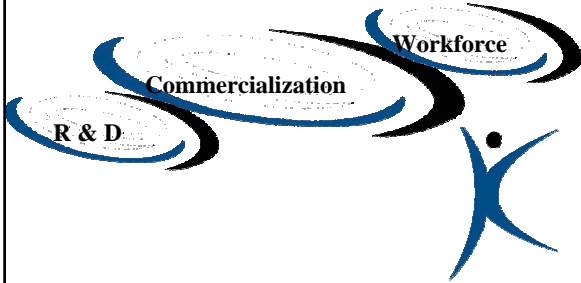
IV. Integration of Macro – Microeconomic Reform



National Framework for Competitiveness



Key Elements of the Strategic Plan – Flexibility, Productivity, Innovation..



IV. Challenge: HM the King on Education

“Our nation would rise or fall mainly on the education of each individual Thai. The education and training of today will determine the nation tomorrow.”

His Majesty King Bhumibol Adulyadej the Great



See: Hoontrakul (1996)

Reference - for further reading

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- [2001*] ‘Transitioning from Dysfunctional to Normal Banking System after the 1997 Crisis : Thailand’s Policy Consideration’, Sasin Journal of Management (SJM)
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- *Available for free download (or forthcoming) at www.Pongsak.Hoontrakul.com



Reference - for further reading

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Any comments are welcome
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