



17 THAILAND: GENERAL ECONOMIC AND INTERNATIONAL VISIONS

KITTI PRASIRTSUK*
SUNIDA AROONPIPAT**

SUMMARY: I. Introduction II. From Import Substitute to Export-Oriented Industrialization (1960s – 1996) III. The Financial Crisis and Adjustments (1997 – 2006) IV. Stagnation during Political Turbulence (2007 – 2014) V. Thailand 4.0: The Escape from the Middle-Income Trap (2014 – Present) VI. Thailand as a Regional Hub (1990-2000) VII. Thailand as a Regional Player and Beyond (2001-2006) VIII. The Return of Thai Foreign Policy (2015-Present) IX. Bibliography

* Associate Professor of Political Science at Thammasat University in Thailand

** Assistant Professor at Thammasat University in Thailand



I. INTRODUCTION

As the second largest economy and a leading country in Southeast Asia, Thailand has always been influential to the region both in terms of economic development and foreign policy. Starting from hosting the inauguration of ASEAN in 1967, Thailand has been playing an important role in the regional grouping. For economy, Thailand has represented a hub in Southeast Asia, hosting massive foreign investment and millions of migrant labor. Exploring Thailand's economic and international visions which, this chapter aims to analyze the path and chart the future of a country that will continue to be a driving force in ASEAN. Though intertwined, the two visions will be discussed separately for a clearer analytical purpose.

THAILAND'S ECONOMIC VISIONS

What has been the path of Thai economic development? To answer this question, this section is, chronologically but also thematically, divided into four periods: 1) from import substitute to export-oriented industrialization, 2) the financial crisis and adjustments, 3) stagnation during political turbulence, and 4) the escape from the middle-income trap.

II. FROM IMPORT SUBSTITUTE TO EXPORT-ORIENTED INDUSTRIALIZATION (1960S – 1996)

Like most developing economies during the early postwar years, Thailand subscribed to the mode of Import-Substitute Industrialization (ISI), which aimed to save foreign currency through developing domestic industries. While state-own enterprises represented major corporations in the nation, the main GDP came from the agricultural sector and primary products. The manufacturing sector was small, dominated by simple processing industries, such as wood, tobacco, and sugar.

It was the early 1960s when Thailand began to chart industrial development with the import-substitute strategy, through the first five-year National Economic and Social Development Plan (1961 – 1966). The government, led by Field Marshall Sarit Thanarat who took power through a military coup, needed legitimacy by proclaiming economic development (Laotham-matas, 1994). Amid the Vietnam War, Thailand received loans and advices from the World Bank, among which included opening up. Accordingly, The Thai government announced not to set up more state-own enterprises and embarked on a limited opening for foreign direct investment (FDI). American and Japanese investment represented the very first batches of industrial investment, primarily for domestic consumption. Aid from the United States and Japan was essential in developing infrastructure and human resources.

Yet, the Thai economy kept depending on the unstable world commodity market of agricultural and primary products (Singhapreecha, 2014). In the 1970s, import-substitute industrialization showed the sign of problems caused by looming trade deficit. The Thai economy was also severely affected by the 1973 Oil Shock, the following stagflation and the second oil shock in 1979, resulting in more deteriorating term of trade in the early 1980s. (Jitsuchon, 2002, p.14)

Such situations require structural adjustments and economic reforms. By the early 1980s, four Asian economies came to be successful in their export strategies, namely Korea, Taiwan, Hong Kong, and Singapore. Accordingly, the Thai government, under the leadership of General Prem Tinsulanonda, decided to shift from the ISI strategy to the export-oriented industrialization (EOI). In 1982, Thailand joined the General Agreement in Trade and Tariffs (GATT), which committed Thailand to reduce import taxes so as to gain reciprocal market access. Several export taxes were terminated and import taxes on inputs for export were reduced. Importantly, in 1984 Bangkok devalued its currency from 20 to 27 Baht per a US dollar in order to promote exports (Siriprachai, 2009, p.179). Meanwhile, the government also needed to prepare infrastructure, including express ways, airports, and ports. Central to the plan is the “Eastern Seaboard Development Program” (ESDP),

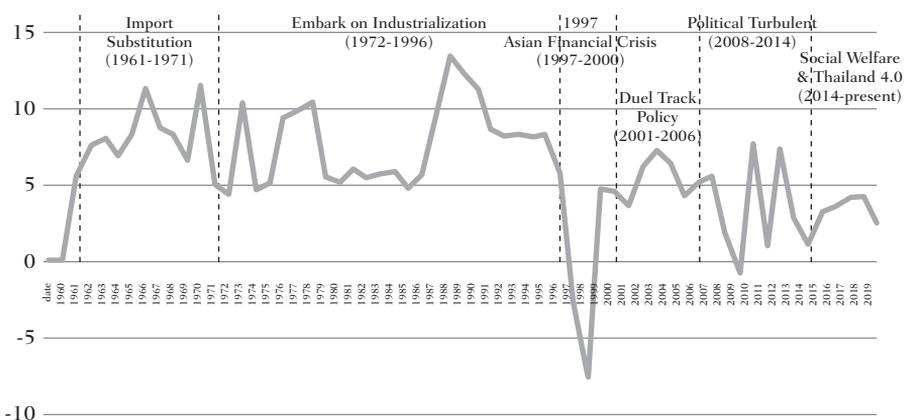
THAILAND: GENERAL ECONOMIC AND INTERNATIONAL VISIONS

mainly financed by loans from the World Bank and the Japanese government. Laem Chabang Deep Seaport represents the platform for industrial investment. Moreover, the Board of Investment, an agency under the Prime Minister Office, was actively promoting incentives to attract FDI, including corporate tax break and import duty exemption for processing machinery (Phongpaichit & Baker, 2002, p.156).

Accordingly, the Thai economy drastically changed from the second half of the 1980s, when massive FDI flew to the country. Co-incidentally, the yen appreciation in 1985 compelled Japan to cut costs and to reduce its trade surpluses by relocating some production bases overseas. A good alternative would be Southeast Asia countries, particularly Thailand, Malaysia, and Indonesia, which were relatively stable with low labor costs. The three economies thus received massive amount of FDI and was growing fast to be dubbed as the new Asian economic tigers (Sharma, 1998). By the mid-1990s, Thailand had turned into an industrially-oriented economy with an impressive economic growth rate of 9.1 percent per annum, owing greatly to rapidly growing exports (see Figure 1).

With such confidence and the availability of global finance offering cheaper interest rates, Thailand greatly embraced globalization by liberalizing offshore loans to the private sector in the early 1990s. Many Thai corporations rushed to take an advantage of the ubiquitous cheap credits, leading to the booming of real estate businesses, which gave rise to the bubble economy. Meanwhile, Thailand's exchange rate regime remained unchanged by being fixed with US dollar. When international debts were massively looming, the Thai economy became risky (Laplamwanit, 1999).

FIGURE 1. THAILAND ECONOMIC GROWTH RATES, 1961 - 2019

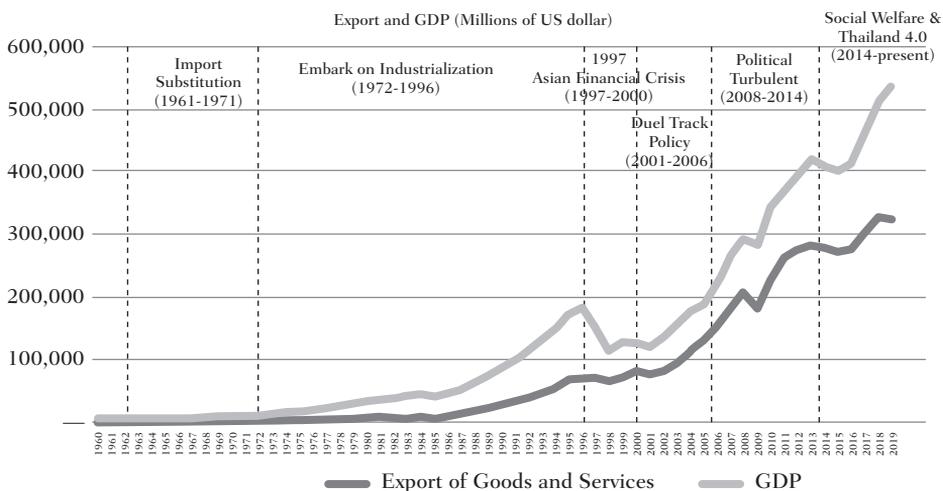


SOURCE: Adapted from World Bank, 2019

III. THE FINANCIAL CRISIS AND ADJUSTMENTS (1997 – 2006)

After almost ten years of consecutive growth, the Thai Economy showed a sign of slowdown in 1996 when the GDP growth in real term dropped, as exports fell sharply. Thailand competitiveness was deteriorating due to increasing competition from other exporting countries, particularly China, while wages were on the rise. Thailand was also facing the exchange rate speculation due to the fixed exchange rate, which did not reflect the reality of the Thai ailing economy at the time. The economic gloom in 1996 finally turned into the real nightmare in 1997, when foreign reserves dried up, as the attempts to defend the speculation of Thai Baht fell. Thailand had no choice but to float the Thai Baht, which soon slipped continually to new low values. As external debts were ballooning, resulting from sharply devaluing Baht, Thailand needed to seek loans from the IMF and consequently entered into a number of compulsory austerity and liberalization programs (IMF, 1997).

FIGURE 2 THAILAND'S EXPORTS AND GDP VALUES, 1961-2019



SOURCE: Adapted from World Bank, 2019

The Thai economy then went through major adjustments and stabilization. Many distressed financial institutions were closed down, while monetary and fiscal policies were tightened (IMF, 2000). Reforms included improving governance of the banking system, privatization of state-owned enterprises, trade and investment liberalization. FDI was pouring into the country, including those that came to take over a great number of joint ventures, in which Thai partners went bankrupt. Around the turn of millennium, Thailand was steadily recovering through increasing exports, owing to

THAILAND: GENERAL ECONOMIC AND INTERNATIONAL VISIONS

price competitiveness stemmed from devaluing currency and the shift to focus more on exports among many manufacturers based in the country, particularly in automobiles and parts, electric appliances, and computer components (JICA Ogata Sadako Research Institute for Peace and Development, 2011).

In 2001, the new Prime Minister Thaksin Shinawatra adopted the dual-track policies which aimed to foster and fortify the domestic economic base, while simultaneously being integrated into the international economy with higher-value economies. There were two major sets of policies to strengthen the domestic economy. First, the Thaksin government needed to beef up the rural economy, which had absorbed many laid-off labor, through three core policies – universal healthcare, agrarian debt relief, and village funds. Price subsidies for agricultural products were also implemented. These policies were dubbed as “populist,” which aimed to gain rural votes as well as to address the widening income gap resulted from globalization. To move the grassroot economy forward, the government introduced “One Tambon One Product (OTOP)”, a project inspired by the One Village One Product (OVOP) movement in Japan. The scheme aimed to develop products unique to each local community. The government gave supports through the Village Funds, training, and promotion activities such as fairs and exhibitions. In the meantime, small and medium enterprises (SMEs) and the urban poor also received government supports through cheap credit schemes (Phongpaichit, 2004, p.4).

For the international sector, upon consultation with Michael Porter, a renowned Harvard professor, the Thaksin government issued a set of policies for industrial upgrading and promoting strategic sectors. The five strategic sectors were processed food, automobiles and parts, fashion, tourism, and software, spelled out as “Kitchen of the World,” “Detroit of Asia,” “Bangkok Fashion City,” “Tourism Capital Asia,” and “World Graphic Design Center” respectively (Ministry of Economy, Trade, and Industry, 2004, p. 272). The Thaksin government also planned to make Thailand a regional hub for FDI and logistics through mega-infrastructure projects, including new airports, port expansion, and subway networks.

Moreover, the government expanded market access for exports through embarking on a number of FTA negotiations (Chirathivat & Mallikamas, 2004, p. 42). As the WTO lost the momentum after 1999, most FTAs launched were bilateral and some were regional. During the Thaksin administration (2001-2006), there were 15 FTA deals, including those with China, Japan, India, Australia and New Zealand, Peru, and Bahrain (Kohpaiboon & Jongwanich, 2015, p. 14). The FTAs, later on, became controversial on lacking consultation and transparency. Later on, these issues were politicized, leading

PRASIRTSUK / AROONPIPAT

to the Thai political crisis since 2005. In September 2006, the Thaksin government was overthrown by a military coup, which resulted in prolonged political polarization that has slowed down most aspects of Thai development.

IV. STAGNATION DURING POLITICAL TURBULENCE (2007 – 2014)

After the 2006 coup, there had been not much progress on the economic development front as the domestic political tension was continually rising. Between 2006 – 2008, there were three prime ministers until Abhisit Vejjajiva was appointed prime minister in 2008 without a general election. During the time of rising domestic political impasse, Abhisit continued Thaksin's populism, supplemented with new policies like "elderly allowance" and "free education". On agriculture, Abhisit took another approach to assist farmers through income guarantee, not direct prize subsidies which might distort the market mechanism. Amid the global economic crisis, similar to most governments elsewhere, the Abhisit government ushered the economic stimulus called the "Strong Thai Program" and also distributed "helicopter money," which referred to broad-based cash payment given in the aim to boost the economy from depression (Walsh, 2010, p. 4-6).

In 2011, Yingluck Shinawatra, a sister of Thaksin, became prime minister under the second-generation populist campaign, including 300-Baht minimum wage (\$10), a minimum salary for civil servants, a rice-pledging scheme, first-car and first-house tax rebates, and a tablet for all primary school students. The policies met with many criticisms from academia and opposing groups, particularly on the rice-pledging scheme, an enormous subsidy on rice prices. The scheme allegedly caused market distortion, while providing only short-term political and economic gains without considering long-term consequences (Sahapattana, 2015, p.71-72). These policies and alleged corruption led to the downfall of her administration, following massive protests which ended with another coup d'état.

Overall, the decade between the mid-2000s and the mid-2010s, Thailand was embroiled with political cleavages, which let each government to focus more on popularity and survival, rather than offering a real economic vision. Yet, one common theme is that Thailand needed to move toward higher incomes through upgraded and creative industries. Unfortunately, Thailand's economic visions and implementation during that time lacked continuity and consistency, due to the political instability.

V. THAILAND 4.0: THE ESCAPE FROM THE MIDDLE-INCOME TRAP (2014 – PRESENT)

The military coup in May 2014 brought Thailand back in time with a military government under the leadership of General Prayut Chan-o-cha, under

THAILAND: GENERAL ECONOMIC AND INTERNATIONAL VISIONS

the themes of restoring stability and order as well as moving Thailand forward. The military junta also pledged to eradicate corruption, reform Thai politics, and reconcile political division among the Thais.

Meanwhile, the Thai economy was not in a good shape, as exports and FDI were shrinking, while household debts were looming. There were many reasons for such glooming economy, including political uncertainty, Baht appreciation, and higher competition from other exporting countries. Fortunately, before the Covid-19 outbreaks, international tourists were steadily increasing to more than 30 million per year, which helped sustain the Thai economy. The Chinese represented the majority, around one-third, of all the tourist. In any case, the biggest agenda for Thailand is how to upgrade its economic structure and get the nation out of the middle-income trap (Fernquest, 2016).

Accordingly, the Prayut government proclaimed the vision to transform Thailand into a dynamic, innovative, and high-income country. In this regard, the government laid down the 20-Year National Strategy (2018 – 2037), in which the “Thailand 4.0” scheme stands out. Derived from “Industry 4.0,” a term pertaining to industrial revolution based on digital transformation, Thailand 4.0 refers to an upgraded economic structure, in which new industries and services are being promoted, using technology and innovation.

Therefore, the government set ten targeted industries and mega-infrastructure development in the strategy to attract investment and to facilitate economic activities. The targeted industries are categorized into two segments called S-curved and new S-curved industries (Kohpaiboon, 2020, p.4). As the existing industries that still have potential but need to increase productivity and value, the five S-curved industries are new-generation automobiles, smart electronics, affluent, medical and wellness tourism, agriculture and biotechnology, and food for the future. The new S-curved industries are high-tech industries with the possibility to drive long-term growth, referring to manufacturing robotics, medical hub, aviation and logistics, biofuels and biochemicals, and digital industries. Later on, the military government included defense equipment into the targeted industries, now total eleven.

Among the key mega-infrastructure projects are the expansion of subway and city-train networks, high-speed trains, inter-city express ways, and the newest special economic zone named the Eastern Economic Corridor (EEC). Located off the coast of the Gulf of Thailand, the EEC is expected to become a new hub for technological manufacturing and services. With its strategic location, access to neighboring countries is easy by land, sea, and air connectivity. The EEC is designed to bypass all regulatory hurdles with special law and regulations to attract investment (Kohpaiboon, 2020, p.5). Meanwhile, the subway and city-train networks and high-speed trains are aimed to modernize and upgrade transportation and logistics in the nation,

PRASIRTSUK / AROONPIPAT

which have long been overdue. The former is progressing quite well, scheduled to be completed by 2025. For high-speed train, it was China that won to construct the first line to the Northeast. All of these investment costs, of course, are very high and will become enormous and accumulated debts for the nation (Lam, 2019).

On the domestic front, the military government adopted a populist-like scheme called “Pracharat” (people state) in a form of welfare for the poor. The scheme came in various forms ranging from cash payment to allowance and subsidy. As many as 14.5 million population (about 21%) are eligible to this welfare (Chantanusornsiri & Theparat, 2018). All of the programs have been continued to the elected government, also led by Prime Minister Prayut since 2019.

Questions arise that, while the government was trying to stimulate the economy and boost GDP through large-scale infrastructure projects and pouring endlessly to help the poor, whether those solutions are sustainable and address the real economic problems. The prospect is grimmer after the Covid-19 pandemic that hit the world since 2020. Together with the new Covid-19 economic rescue packages, the public debt has increased to 57 percent of the GDP (Pananond & Pongsudhirak, 2020). This large amount of debt will be a big burden for decades.

So far, the government has yet to reduce the income gap much. Thailand is now the most unequal economy in the world, based on wealth inequality in which one percent of the richest holding as many as 66.9 percent of wealth in the country (Thai Public Broadcasting Service, 2019). The first term of military rule allegedly benefited only a handful of big corporations (Crispin, 2019). The government has been busy coming out with stimulus packages giving away a massive amount of money, which compiles more public debts. Amidst the economic headwinds and the current youth movement for political change in Thailand, it will take some time to see whether the visions are practical and can be realized in time of domestic political turmoil and global economic recession due to the Covid-19 outbreaks.

THAILAND'S INTERNATIONAL VISIONS

Under the threat of communist expansion during the Cold War years, Thailand had been preoccupied with survival and stability, while trying to develop its economy. Bangkok thus sided with the United States as a close ally fighting in the Vietnam War. After the U.S. pulled out in 1973 and Vietnam occupied Cambodia since 1979, Bangkok came to cooperate with China in deterring Vietnam throughout the 1980s.

It was after the end of the Cold War that Thailand came to have a clear international vision. Being a regional player has always been Thailand's in-

THAILAND: GENERAL ECONOMIC AND INTERNATIONAL VISIONS

ternational vision. This section is divided into three parts: 1) Thailand as a regional hub (1990-2000), Thailand as a regional player (2001-2005), and 3) the return of Thailand's active foreign policy (2015-present).

VI. THAILAND AS A REGIONAL HUB (1990-2000)

From 1990 to 2000, Thailand's international visions were greatly influenced by its economic situations. Following economic take-off during the late 1980s (Dixon, 1999, pp. 122-128), Thailand has been aspired to become a regional hub of Southeast Asia. To realize the goal, in the late 1980s Thailand shifted the perception and improved its relations with neighboring countries.

TRANSFORMING THE BATTLEFIELDS INTO A MARKETPLACE

Upon taking office in 1988, Prime Minister Chaitichai Choonhavan announced a policy called "transforming the battlefields into a marketplace" to end the decades of hostility in the region. As the cold war relaxed, economic development gained more attention than security issues (Funston, 1998, p. 294). Given potential demand in Cambodia, Laos, and Vietnam, Thailand thus had an economic opportunity in perspective. Border trade would be logical and promising, while investment in services like hotels and banks would be soon necessary. Interestingly, Thai Baht was used as the medium of economic exchanges, since these Indochina countries possessed only limited hard currency like the US dollars.

Concretely, Thailand played a leading role in bringing the four Cambodian political factions together in closed-door meetings, which contributed to reconciliation and peace building in the war-torn country (Buszynski, 1989, p. 1065). Meanwhile, the Thai-Lao border Commission was formed, leading to the construction of the first Thai-Lao Friendship Bridge, with the aid from Australia (Niksch, 1989, p. 171). Export restrictions on many goods to Laos were lifted. Diplomatic relations were strengthened. The Thai private sector was encouraged to do business in these Indochina countries, particularly Vietnam (Buszynski, 1989, p. 1059). Thailand and Vietnam also agreed on fishery development cooperation. Most significant is that Vietnam became ASEAN's member in 1995, which formally ended the Cold War hostility.

CONSTRUCTIVE ENGAGEMENT WITH MYANMAR

During the Cold War, Thailand and Myanmar shared a number of border problems. They were places for illicit trade and battle zones between the Myanmar military and ethnic armed groups which frequently transgressed into Thai territories. In terms of ideology, Myanmar practiced socialism and became a hermit state (Phuangkasem, 1984, pp. 21-22). This weakened communication between the two countries, resulting in mistrust on each other.

PRASIRTSUK / AROONPIPAT

Therefore, the Thailand-Myanmar Border Committee was launched in May 1989 to solve protracted border problems. Like Singapore and Malaysia, Thai businesses rushed to find business opportunity and invested in Myanmar. The very first trade was in logging business along the border. There was also high demand for consumer goods from Thailand. Economic exchanges led to a friendly environment, pacifying conflicts and mistrusts between the two countries. Overall, Thailand, together with ASEAN, pursued the policy of constructive engagement with Myanmar in the hope that the country would be opened up and democratized after its economy was developed to some extent. Sanctions against Myanmar were viewed counterproductive, as the poor economy was not likely to lead to democratization, but the people would be suffering more. Moreover, sanctions would put Myanmar more toward China's orbit. Accordingly, Thailand and ASEAN supported Myanmar's to become its member in 1997.

With this backdrop, high-rank visits between Thailand and neighboring countries were prevalent, while travel prohibitions were also lifted. The doors were now wide open, leading to more interactions and economic transactions. Thailand then opened several border trading points with neighboring countries, to the benefits of Thai businesses and better life of local people. Thai tourists were now able to visit neighboring countries, while businessmen went over to find business opportunities. By that time, Thailand also came to be in short of labor in some certain jobs, leading to the importation of migrant labor, particularly from Myanmar and Cambodia, though mostly illegally.

With such amiable atmosphere, Thailand advocated the idea of 'Suvarnabhumi', meaning the golden land, which aimed to position the country as a regional trading and financial center for the prosperity of the whole region (Christensen, 1990, p. 182). Though Thailand failed to become a regional financial center, being hard hit by the Asian Financial Crisis, the increasing cooperation facilitated the post-Cold War regionalism promoted by ASEAN and inter-regional cooperation during the 1990s.

TOWARD POST-COLD WAR REGIONALISM

Thailand has been actively advocating regional cooperation and integration, which represents an important pillar of Thai foreign policy. There are two sets of cooperation that Thailand and ASEAN pushed forward during the 1990s, internally and externally. Internally, with the leadership of Prime Minister Anand Panyarachun, Thailand proposed the "ASEAN Free Trade Area" (AFTA) in 1991 to promote regional integration (Akrasanee, 2017). This proposal happened in the context of opening up China, which could divert FDI from ASEAN, given its sheer market size and lower wages. ASEAN thus had to step up its integration, so as to still attract investment.

THAILAND: GENERAL ECONOMIC AND INTERNATIONAL VISIONS

Meanwhile, the end of the Cold War ushered security uncertainty in the region. One challenge caught a regional attention. The rise of China raised concerns among maritime Southeast Asian states over disputed territories in the South China Sea. As there was no mechanism to deal with regional security issues, at the ASEAN Ministerial Meeting and Post Ministerial Conference in 1993, member states agreed to set up the ASEAN Regional Forum (ARF) as a mechanism to address regional security (aseanregionalforum.asean.org).

As a leading country in ASEAN, Thailand hosted the ARF inaugural meeting in Bangkok in 1994, featuring foreign ministers from 18 nations, namely the five ASEAN members, together with ASEAN's dialogue partners: the U.S., China, Russia, Japan, South Korea, Australia, New Zealand and the European Union. The forum has extended to cover both traditional and non-traditional security, while discussing the three pillars: confidence building measures (CBM), preventive diplomacy (PD), and conflict resolution (CR). In this regard, ASEAN arguably aimed to pacify China and to keep the U.S. engaged in the region. Though the ARF, by and large, has stopped short at CBM, its utility remained valid as a dialogue forum for relevant powers. Interestingly, at the ARF meeting in Bangkok in 2000, North Korea was invited to join as a new member, showing the relevance of the forum to regional security (Chulasiriwongse, 2001, pp. 350-351). Even the isolate country like North Korea has trust and comfort to participate in the ASEAN-led forum.

The fact that the inaugurations of ASEAN and the ARF took place in Bangkok implies trust in Thailand to host important meetings. Asia-Europe Meeting (ASEM) was another one that called Thailand into service, as the first gathering was also convened in Bangkok in 1996. Following the first summit of Asia-Pacific Economic Cooperation (APEC), the European side wanted to have a platform to connect with Asian economies (Hwee, 2000, pp. 114-116). The Asian side also looked for more market and investment from Europe.

In the meantime, Western countries heavily criticized ASEAN for embracing Myanmar's membership without any pressure or condition, despite its unimproved human rights record. The European Union insisted that Myanmar was not present in the next ASEM meeting. In response, Thai Foreign Minister Surin Pitsuwan proposed the concept of "flexible engagement" on Myanmar in the late 1990s. The idea called for more actions taken by ASEAN in encouraging, if not urging, Myanmar to change. Though not welcomed by some ASEAN members that stuck to ASEAN's non-interference principle, the proposal showed Thailand's intention in moving ASEAN forward.

VII. THAILAND AS A REGIONAL PLAYER AND BEYOND (2001-2006)

From 2001-2006, under the Thaksin's administration, Thailand pursued "forward engagement" foreign policy, which reflected the Kingdom's visions in becoming a regional player with an ambition outside the region. The key initiatives were fostering bilateral, sub-regional, and inter-regional cooperation.

PROMOTING BILATERAL FREE TRADE AGREEMENTS

Multiple FTAs represent a key aspect of the "forward engagement." The rationales were to restore the country's competitiveness and reduce dependency on the generalized system preference (GSP) (Chachavalpongpun, 2010, p. 133). During 2001-2005, Thailand concluded many FTAs with countries from most corners of the world. Thailand reached agreements with Australia in 2004 and New Zealand in 2005. In Asia, FTAs were signed with India in 2003 and China in 2004. FTA negotiations with Japan started in 2004 and was finally inked in 2007. In Latin America, Thailand and Peru enforced the early harvest FTA in 2005 and became fully enforced in 2015. In the Middle East, Thailand and Bahrain initiated the "Framework Agreement on Bahrain-Thailand Closer Economic Partnership" in 2002. Although the parties agreed to enforce the early harvest of some tariff reductions (Chachavalpongpun, 2010, p. 132), the Gulf Cooperation Council (GCC) in which Bahrain is a member demanded the country to conclude the agreement in a multilateral manner (thaifta.com). Therefore, the Thai-GCC FTA was proposed, but no progress has been reported so far. Thailand expected Peru and Bahrain to be gateways to their respective region. The FTA with the US was also proposed, but could not move forward, partly due to political conflicts in Thailand.

AYEYAWADY - CHAO PHRAYA - MEKONG ECONOMIC COOPERATION STRATEGY (ACMECS)

While ASEAN leaders agreed in 2003 to form the ASEAN Community, there was a large economic gap between the old and new members, which represented a big obstacle. Thailand saw an opportunity to assist in narrowing the gap among ASEAN continental members, namely Cambodia, Laos, Myanmar, and Vietnam (CLMV). Playing a role as a "sub-regional patron" (Chambers & Bunyavejchewin, 2019, p. 3), Thailand under the Thaksin administration proposed the sub-regional cooperation named the Ayeyawady - Chao Phraya - Mekong Economic Cooperation Strategy (ACMECS), which formally established in November 2003. The name is derived from major rivers in continental Southeast Asia.

Many initiatives both common and bilateral ones were executed. For instance; the ACMECS Single Visa Scheme under slogan 'five countries one

THAILAND: GENERAL ECONOMIC AND INTERNATIONAL VISIONS

destination' enabled tourists to visit the five countries with single visa which would enhance tourism (Chambers & Bunyavejchewin, 2019). As for the bilateral projects, Thailand planned to grant Official Development Assistance (ODA) to neighboring countries. In Laos, for example, the Thai government planned and conducted research on a construction of the third Thai–Lao Friendship Bridge, expanded ASEAN Integration System of Preferences (AISP) for Laotian exports and launched sister city programs to promote trade between the two countries (Sanew, 2019, pp. 1280-1285).

For Cambodia, there are around 72 bilateral projects that Thailand assisted Cambodia's development, such as technology transfer, telecommunication, infrastructure and human resource development (Mephokee, Roopsom, & Klinsukhon, 2014). The two countries also pursued sister city programs similar to those in Laos. And for Myanmar, Thailand imported large amount of gas and granted 'favorable trade preference' on agricultural products to Myanmar (Chachavalpongpun, 2010, pp. 164-172).

THE ASIA COOPERATION DIALOGUE (ACD)

In spite of the Asian Financial Crisis, quite a few Asian economies bounced back fast and strongly. Given Asia's potentials, Thailand was aware of the "missing link" among many parts of Asia. Therefore, Thailand proposed the "Asia Cooperation Dialogue" (ACD) to connect Northeast, Southeast, South Asia, and the Middle East. In 2002, the inaugural meeting was held in Cha-Am, a seaside resort city, featuring 18 countries from the four regions. The group agreed to identify various key areas of cooperation, including poverty alleviation, human resource development, and promotion of Asian culture and tourism, transportation and communication linkages. The meeting also agreed to assign members as a 'prime mover' in areas of their interest. For instance, Thailand is a prime mover on financial, tourism and human resource development cooperation (Chachavalpongpun, 2010, p. 102). The grouping later on was enlarged to 34 Asian states, including those from Central Asia. Unfortunately, given the vast number and diverse members, the ACD has predictably not yielded a substantial result.

In any case, Thailand's determination to go beyond a regional player was demonstrated in its nomination of Foreign Minister Dr. Surakiart Sathirathai to be a candidate for the UN Secretary-General in 2005. Thailand put much energy in soliciting votes from nations around the globe, arguing for the representation from developing countries and Asia. Though Surakiart eventually lost to Ban Ki-Moon from Korea, the Thai ambition was evident.

Thailand's international performance became sluggish, due to political crisis during 2005-2006. Series of large-scale political protests took place, particularly those in 2008, 2010, and 2013. Amid such difficulties, the country

PRASIRTSUK / AROONPIPAT

could not play a significant role in both regional and international arena. Even the ASEAN summit in 2009 was aborted due to massive protesters storming into the meeting venue in Pattaya, to the disgrace of Thailand. Yet, in the make-up summit later on, Thailand was able to push forward the groundwork on “connectivity” which is pivotal to Thai interest, given its strategic location at the heart of Southeast Asia. The Master Plan on ASEAN Connectivity (MPAC) then was adopted at the Hanoi summit in the following year.

After almost a decade of political impasse, General Prayut Chan-o-cha, the army chief, staged a coup d'état and assumed premiership in May 2014. During his first year in the office, Thailand encountered international criticism and sanctions, confining its international stance and moving the kingdom closer to China, which embraced Thailand even more.

VIII. THE RETURN OF THAI FOREIGN POLICY (2015-PRESENT)

Though Thailand's foreign policy space was limited after the coup, Thailand was able to propose cooperation over Mekong river between China and riparian countries, namely Cambodia, Laos, Myanmar, Thailand, and Vietnam. Beijing was quick to take up the initiative and developed it into Lancang-Mekong Cooperation (LMC).

Around 2015, Thai foreign policy showed a sign of recovery as international pressures were waning a bit. The first “come back” happened when Prime Minister Prayut was invited to the U.S.-ASEAN Sunnylands Summit in 2016. Thailand then came to actively advocate the Sustainable Development Goals (SDG) by promoting the homegrown “Sufficiency Economy Philosophy” (SEP), a mode of development based on moderation, prudence, and social immunity. In his remarks at the United Nations General Assembly in 2015, Prayut shared the idea that SEP could be a means to achieve sustainable development and tackle new global challenges. The Thai government always emphasized “inclusiveness” to not leave any one behind in various occasions, particularly in ASEAN. Moreover, Thailand was elected the Chairman of the Group of 77 in the U.N. in 2016. To substantiate Thailand's efforts on SDGs, the Thailand International Cooperation Agency (TICA) has been the main actor promoting this partnership. In fact, from the early 2000s, Thailand has been a global development partner, giving aid to quite a few developing nations. In 2016, Thailand's ODA increased significantly to 7,104.2 million Baht (tica.thaigov.net, 2020).

For the concrete projects, TICA has launched many SEP bilateral projects, such as the Study Center for Sustainable Agricultural Development Project in Laos, sustainable development model village projects in Cambodia, the Agricultural Development Cooperation Project in Tonga, the SEP

THAILAND: GENERAL ECONOMIC AND INTERNATIONAL VISIONS

Model Village in Mozambique and the SEP study center in Lesotho (tica.thaigov.net, 2018).

PRESERVING ASEAN CENTRALITY

As geopolitics between the U.S. and China has been intensifying, ASEAN members is facing dilemma. While China is offering the Belt and Road Initiative (BRI), the U.S. came up with the Free and Open Indo-Pacific (FOIP). As ASEAN economically relies on both China and the U.S., while the American security role is also expected, it is in the interest of ASEAN to make the region a zone of cooperation rather than a zone of confrontation.

In the capacity of ASEAN chairmanship in 2019, Thailand worked in tandem with Indonesia to issue the ASEAN Outlook on the Indo-Pacific. Not only does the document show the ASEAN's solidarity, but it also redefines the Indo-Pacific as the region of cooperation, consultation, and connectivity in which ASEAN plays a central role in ensuring mutual benefits of all stakeholders (asean.org, 2019). Accordingly, ASEAN was able to declare its approach in engaging with external powers constructively.

SAVING FREE TRADE

On the economic front, as the U.S. had abandoned liberalism and multilateralism mirroring Trump's American Frist campaign, the trade war with China erupted in 2018. China retaliated by imposing tariffs on American imports. This new era of protectionism has damaged global economy including ASEAN's.

To show regional commitment on economic liberalism, ASEAN under Thailand's chairmanship along with Australia, China, Japan, New Zealand and South Korea were able to conclude the Regional Comprehensive Economic Partnership (RCEP) in all twenty chapters. The agreement had been long overdue since the initial conclusion plan in 2015. Though India withdrew, the RCEP conclusion sent a good signal for maintaining free trade.

STRENGTHENING SUB-REGIONAL COOPERATION

The ACMECS came back as Thailand hosted the 8th ACMECS Summit. Bangkok resumed its leading role in the grouping, which adopted the ACMECS Master Plan 2019-2023. The Master Plan, initiated by Thailand, stipulates the enhancement of connectivity among the members. Further, the CLMV group is renamed as CLMVT, showing Thailand's desire in deepening its engagement as a partner, rather than a regional patron. Deputy Prime Minister Somkid Jatusripitak announced the goal of "growing together" (Theparat, 2018). The revival of its original initiative reveals Thailand's readiness to play a leading role again.

PRASIRTSUK / AROONPIPAT

In conclusion, Thailand has always aimed to develop the nation and perform a leading role in the region. The second half of the 1980s is crucial to understand the Thai visions, which started from shifting its industrialization from the import substitute model to the export-emphasis one. After decades of unfortunate happenings during the Cold War, the international environment came to be favorable to Thailand. One is the imperative of production-base relocation following Yen appreciation, which poured massive Japan's FDI to Thailand. Another is the waning Cold War, which opened the market and cooperation with neighboring countries. Here, we can see Thailand's initial international visions in terms of "turning the battlefields to marketplace" and "becoming a regional hub."

Though the rosy-looking 1990s ended tragically with the financial crisis, Thailand was able to bounce back in the new millennium with the dual-track policy to boost both domestic and international sectors of the economy. Its international roles, dubbed as forward engagement, were also vibrant on bilateral, subregional, also inter-regional cooperation. Unfortunately, the protracted political impasse during the past fifteen years has slowed down both the Thai economy and its international roles.

At any rate, the Thai economy has been undergoing structural change after the financial crisis, though not so successful and was often suspended due to political volatility. Currently, Thailand has no choice but move on. The current government thus envisions to unlock Thailand from a middle-income trap and move to the new value-based economy in the Thailand 4.0 strategy. The EEC and infra-structure projects are hopeful to propel the Thai economy. There are multiple challenges ahead, including global pandemics and subsequent worldwide recession, more export competitors like Vietnam and Indonesia, the U.S.-China trade war and tensions, and the youth uprising for political reforms.

On the international front, Thailand remains a key country in ASEAN and aims to regain its active roles. Intensifying geopolitics gives Thailand both opportunity and challenge, probably more to the latter. The road ahead is not easy, but Thailand has some roadmap to chart its future through its economic and international visions.

IX. BIBLIOGRAPHY

- Akrasanee, N. (2017). *ASEAN Free Trade Agreement: A Major Mile stone in the 50 Years of ASEAN*. Jakarta : Economic Research Institute for ASEAN and East Asia.
- Buszynski, L. (1989). New Aspirations and Old Constraints in Thailand's Foreign Policy. *Asian Survey*, 29(11), 1057-1072.

THAILAND: GENERAL ECONOMIC AND INTERNATIONAL VISIONS

- Chachavalpongpun, P. (2010). *Reinventing Thailand*. Pasir Panjang: SEAS Publishing.
- Chambers, P., & Bunyavejchewin, P. (2019). Thailand's Foreign Economic Policy toward Mainland Southeast Asia. *ISEAS Perspective*, 1-11.
- Chantanusornsiri, W. & Theparat, C. (2018, November 21). PM insists cash splurge not populist as poll looms. *Bangkok Post*.
- Chirathivat, S., & Mallikamas, S. (2004). Thailand's FTA Strategy: Current Development and Future Challenges. *ASEAN Economic Bulletin*, 21(1), 37-53.
- Christensen, S. R. (1990). Thailand in 1989: Consensus at Bay. *Asian Survey*, 30(2), 178-186.
- Chulasiriwongse, C. (2001). Thailand's Relations with the New ASEAN Members. *Southeast Asian Affairs*, 337-354.
- Crispin, S. (2019, December 13). Thailand's 'Five Families' Prop and Imperil Prayut. *Asiatimes*.
- Dixon, C. (1999). *The Thai Economy: Uneven development and internationalisation*. London: Routledge.
- Fernquest, J. (2016, September 29). Bangkok Post Forum: Developed country by 2036, says PM. *Bangkok Post*.
- Funston, J. (1998). Thai Foreign Policy: Seeking Influence. *Southeast Asian Affairs 1998*, ISEAS - Yusof Ishak Institute.
- Hwee, Y. L. (2000). ASEM: Looking Back, Looking Forward. *Contemporary Southeast Asia*, 22(1), 113-144.
- IMF. (1997, August 20). Press Release: IMF Approves Stand-by Credit for Thailand. Retrieved October 10, 2019, from <https://www.imf.org/en/News/Articles/2015/09/14/01/49/pr9737>
- IMF. (2000, June). Recovery from the Asian Crisis and the Role of the IMF. Retrieved October 10, 2019, from <https://www.imf.org/external/np/exr/ib/2000/062300.htm#box1>
- JICA Ogata Sadako Research Institute for Peace and Development. (2011). How Thailand Managed to Overcome Two Crises: With "Financial Restructuring," "Foreign Capital Dependence," and "Promotion of Exports". *News & Views*.
- Jitsuchon, S. (2002). Thailand's Economic Growth: A Fifty-Years Perspective (1950-2000) Mimeograph, Thailand Development Research Institute.
- Kohpaiboon, A. & Jongwanich, J. (2015). Use of FTA from Thai Experience (ERIA Discussion Paper Series: ERIA -DP-2015-02).
- Kohpaiboon, A. (2020). Industry 4.0 Policies in Thailand (Economics Working Paper). Singapore: ISEAS Yusof Ishak Institute.

PRASIRTSUK / AROONPIPAT

- Lam, P.D. (2019, March 25). Will Thailand's Chinese High-Speed Railway Be Worth It? *TDRI Insight*. Retrieved October 10, 2019, from <https://tdri.or.th/en/2019/03/will-thailands-chinese-high-speed-railway-be-worth-it/>
- Laplamwanit, N. (1999). A Good Look at the Thai Financial Crisis in 1997-98. Retrieved October 10, 2019, from www.columbia.edu/cu/thai/html/financial97_98.html.
- Laothamatas, A. (1994). From clientelism to partnership: Business-government relations in Thailand. MacIntyre, A. (ed.). *Business and Government in Industrializing Asia*. Ithaca: Cornell University Press.
- Mephokee, C., Roopsom, T., & Klinsukhon, C. (2014). Thailand-Cambodia Economic Cooperation under ACMECS. *International Journal of East Asian Studies*, 18(2), 1-11.
- Ministry of Economy, Trade, and Industry. (2004). White Paper on International Economy and Trade. Retrieved October 10, 2019, from <http://www.meti.go.jp/english/report/downloadfiles/3-5e.pdf>.
- Niksch, L. A. (1989). Thailand in 1988: The Economic Surge. *Asian Survey*, 29(2), 165-173.
- Pananond, P. & Pongsudhirak, T. (2020, April 10). Beware of Debt Pitfalls from Bailout. *Bangkok Post*.
- Phongpaichit, P. (2004). *Financing Thaksinomics*. Retrieved October 10, 2019, from <http://pioneer.netserv.chula.ac.th/~ppasuk/financingthaksinomics.pdf>
- Phongpaichit, P. & Baker, C. (2002). *Thailand: Economy and Politics* (revised edition). UK: Oxford University Press.
- Phuangkasem, C. (1984). *Thailand's Foreign Relations 1964-80*. Pasir Panjang: Institute of Southeast Asian Studies.
- Sahapattana, P. (2015). Rice Pledging Scheme: A High-Stakes Risk for the Big Players. *NIDA Case Research Journal*, 7 (2), 60-83.
- Sanew, S. (2019). Thai Economic Policy towards Lao PDR under ACMECS on the Government of Prime Minister Thaksin Shinawatra. *Veridian E-Journal, Silpakorn University (Humanities, Social Sciences and arts)*, 12 (1), 1274-1295.
- Singhapreecha, C. (2014, May 9). *Economy and Agriculture in Thailand*. Retrieved October 10, 2019, from http://ap.ffc.agnet.org/ap_db.php?id=246&print=1
- Siriprachai, S. (2009). The Thai Economy: Structural Changes and Challenges Ahead. *Thammasat Economic Journal*. Vol. 27, No.1, pp.148-229.

THAILAND: GENERAL ECONOMIC AND INTERNATIONAL VISIONS

- Sharma, S.D. (1988, September). Bitter Medicine for Sick Tigers: The IMF and Asia's Financial Crisis. *Pacific Rim Report No. 8*. USF Center for the Pacific Rim. USA: University of San Francisco.
- Thai Public Broadcasting Service. (2019, March 12). Fighting Populism with More Populism? *Thai PBS World*.
- Theparat, C. (2018, June 15). Special report: Five-nation meeting plays to diverse strength. *Bangkok Post*.
- Walsh, J. (2010). Thai Khem Kaeng: An Adequate Response by the Thai State to the Impact of the 2008 economic crisis. *Journal of Economic and Behavioral Studies*, 1 (1), 1-8.
- World Bank. (n.d.). Statistics. Retrieved October 10, 2019, from <https://data.worldbank.org/country/TH>