

Is Thailand a resource-cursed economy?

To answer the question whether Thailand is a resource-cursed economy or not, it is crucial to understand the concept of “resource curse” first since resource curse is one of the many controversial concepts among scholars. Its validity is both debatable and ambiguous. Some scholars might believe that there is the negative correlation between the resource export ratio and the economic growth of the nation. Meanwhile, some might claim that such research might consist of selection bias problem. Hence, it is important to discuss about this concept before further judgement in the case of Thailand.

According to many observations, the resource abundant countries are more likely to experience the economic growth stagnation. Noticing this phenomenon, some economists have been studying about this event and defined this it as “the resource curse”. They believe that the more natural resources the country has, the more likely that these resources would be exploited and be sold to generate the profit. However, this profit does not use to invest in the welfare system for the country’s citizen or does not invest in research and development of country’s technology. The profit would be more likely to be used to maintain the power of resource exploiter or power of the country’s authority through the purchase of military equipment and personnel. Hence, these economists would blame the richness in resource as the cause of economic stagnation and called these countries with resource abundant as the resource-cursed countries.

Table 1: Main Export Product (% of Total Export in 2014) and Numbers of Period that Country had Negative GDP Growth Rate (from 1981 to 2015)

Country	2014		1981-2015
	Main Export Product	Main Export Product (% of Total Export)	Numbers of Period that Country Had Negative GDP Growth Rate
Botswana	Precious Metals	86%	2
Canada	Mineral Product	30%	3
Norway	Mineral Product	65%	2
Thailand	Machines	34%	3
Equatorial Guinea	Mineral Product	94%	8
Sierra Lorne	Mineral Product	83%	10

To make this concept more convincible, some economists gave some examples like Equatorial Guinea, and Sierra Leone since those countries are full of natural resources but still experience the stagnation in economy and political instability at the same time. That is, these two countries’ main export product is mineral product, which is accounted for 94% of Equatorial Guinea’s export and 83% of Sierra Leone’s export according to table 1. Furthermore, Equatorial Guinea had experienced the negative GDP growth rate from 1981 to 2015 for 8 while Sierra Leone had experienced this for 10 years. Because of the given examples might be sounded

convincing, some people might believe that Thailand is the resource curse economy as well due to the current economic stagnation and the nature of Thailand as the resource abundant country.

Interestingly, the examples like Botswana, Canada, and Norway (as illustrated in table 1) are not mentioned in this research quite often since these examples are counterexample of “resource curse”. In the case of Canada, mineral product is the major export good. It is accounted for around 30% of its export in 2014. Whereas, 65% of Norwegian major export product is mineral product. Lastly, the African country like Botswana exported precious metals, which is accounted for 86% of its export. These three countries are resource abundant nations with mostly positive GDP growth rate as shown in above table.

Due to the counterexample, many scholars questioned that how these countries succeeded to develop their countries without the existence of political instability and to sustain their economic growth rate over the time. One of the answers that these scholars found is the good visionary of authority to diversify the economy since the country with single targeted industry would be sensitive to the fluctuation of the market. In order to have the knowledgeable authority, country’s institution must be inclusive one. That is, it must have the low power concentration and must encourage people to participate in country’s decision-making process to find the solutions for the society. Politicians would be truly representing citizens and do not seek the profit from managing public sector. Because of the above answer, resource might not be the cause of economic stagnation. However, the poor institution within the nation might be the cause of the economic stagnation. Resource is just a tool. It could not do any harm to anyone. However, if the resource were utilised by those unjustified authorities, the misfortunate would follow these people’s actions, which the general public would bear the cost of these people’s actions. Hence, the concept of “resource curse” is just the paradox.

In the case of Thailand, notice that Thailand only faced 3 years with the negative GDP growth rate comparing to other resource curse countries including year 2015. Its main export product is machine, which is 34% of its total export as shown in table 1. Because of this fact, Thailand does not fall into the resource curse categories. Hence, Thailand is not the resource curse economy. The stagnation in Thai economy is truly caused by non-other but the current government of Prayut Chan-o-cha. The poor economic and political policies and lack of understanding in people are the signs of extractive institution that does not truly represent Thai people. The power is highly concentrated among PM’s inner circle, in which, these people did not have the proper education or proper attitude to manage the assigned task. Some minister under this government came from Royal Thai Army. Meanwhile, the use of Article 44 gives the authority for the chairman of junta to issue any order to maintain the peace and national security. There is no checking and balancing in power. Because of this, Prayut Chan-o-cha obtained the absolute power. Some people were the victim of the use of this article and have been jailed for criticising the government. With the limited freedom of speech, no experts dare to criticise the

government's policies although some of these policies issued by military academy graduates, who believe that they are knowledgeable. Without the proper discussion, the issued-policies do not serve the true demand of people and do not solve the real problems. Hence, these policies became ineffective and waste of resources.

In summary, Thailand is not the resource-cursed economy. However, the extractive institution is the reason behind its economic stagnation. As the consequence, Thai people have to bear the cost of this kind of institution. In order to stimulate the economy once again, Thailand needs to have the good environment for discussion. That is, freedom of speech should be unrestricted like what previous government ensured.

Bibliography

- "Beware Of Those Who See The Need For Article 44 | Prachatai English". *Prachatai.Com*, <http://www.prachatai.com/english/node/4928>.
- "Brief History: The Resource Curse". *TIME.Com*, <http://content.time.com/time/magazine/article/0,9171,1997460,00.html>.
- Durns,. "Four Countries That Beat The Resource Curse - Global Risk Insights". *Global Risk Insights*, <http://globalriskinsights.com/2014/04/four-countries-that-beat-the-resource-curse/>.
- "GDP Growth (Annual %) | Data". *Data.Worldbank.Org*, http://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=NO-CA-BW&name_desc=false.
- McCleary, William A. "Review Of Why Nations Fail". *Thammasat Economic Journal*, vol 31, no. 1, 2013, pp. 109-117.
- PCL., Post. "Bangkok Post". *Bangkokpost.Com*, <http://www.bangkokpost.com/archive/44-reasons-to-reconsider/511467>.
- "Struggling With The Resource Curse - The Asia Foundation". *The Asia Foundation*, <http://asiafoundation.org/2011/04/06/struggling-with-the-resource-curse/>.
- "The Atlas Of Economic Complexity |". *Atlas.Cid.Harvard.Edu*, <http://atlas.cid.harvard.edu/>.
- "What Resource Curse?". *Foreign Policy*, <http://foreignpolicy.com/2010/12/06/what-resource-curse/>.
- "World Integrated Trade Solution (WITS) | Data On Export, Import, Tariff, NTM". *Wits.Worldbank.Org*, <http://wits.worldbank.org/Default.aspx?lang=en>.