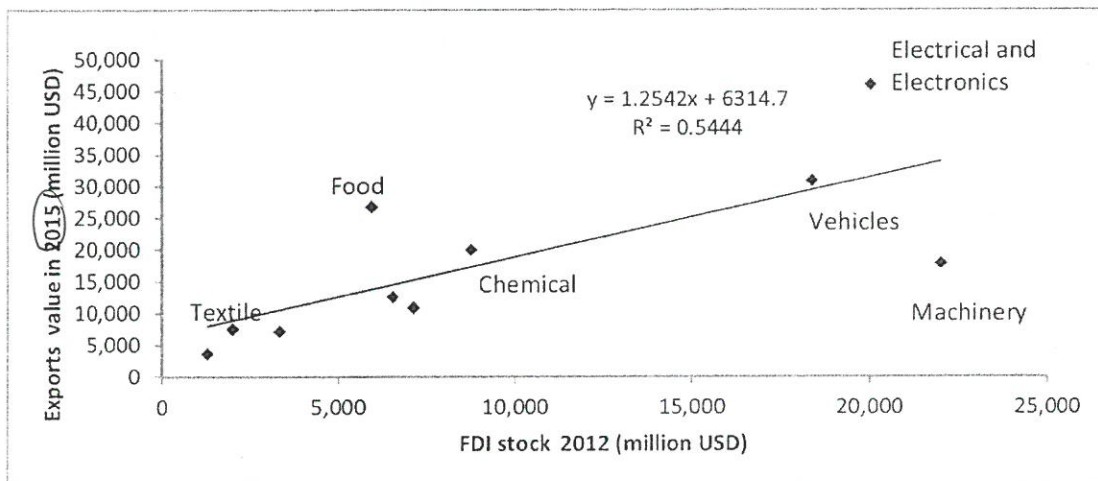


1. There is a positive relationship between Thailand's FDI stock and exports. Identify common characteristics of these export-oriented industries and specify challenges to these industries.

Figure 1. Sectoral FDI stock and exports



The diagram shows the relationship between Export and FDI stock in Thailand of many industries. The lowest share of FDI industry is textile due to the fact that it is a labor-intensive industry with a vertical integration production process. The higher the share of FDI stocks indicate the network trade between Thailand and other partner countries in importing raw material as well as technology <sup>higher the</sup> into our production process.

The positive correlation between FDI stock and export value resulted from the fact that Thailand is an export-led country. The characteristics of these export-oriented industries are gaining a trade complementarity rather than a comparative advantage, most of them have a intra-trade industry (mostly in parts component industry such as machineries, electrical, and vehicles) which helps the industry to become more competitive which led to an increase in growth. These network trade usually are considered as value-added

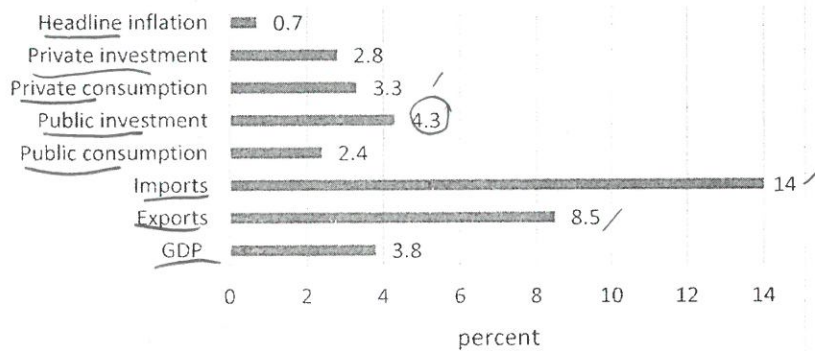
The down sides of being an export-oriented country are that there is a high exposure to external volatility because the world is interconnected and when the big country's economy

more 😊



2. According to the Fiscal Policy Office, Thailand's economic growth is likely to come close to 4% this year. Identify factors contributed to changes in the aggregate demand components (Figure 2). (growth)

Figure 2. Fiscal Policy Office's estimates of growth in 2017



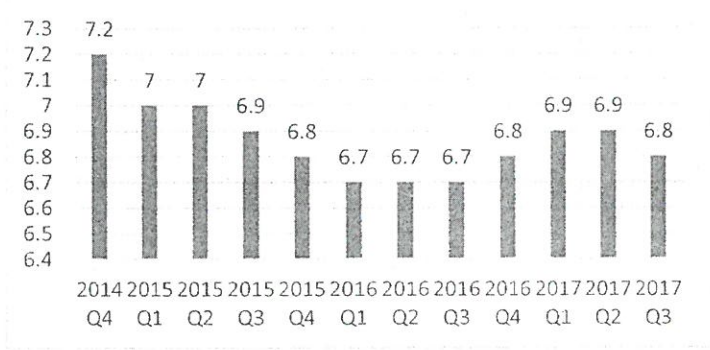
$Y = C + I + S + (X - M)$  the factors contribute to changes in the aggregate demand component are including Consumption, investment, government spending saving, export and import. The positive change of Thailand economic growth is private investment, private consumption, public investment and consumption and export. The negative change is from import which is quite a largely change 14% due to the Figure 2. Large import can imply many thing such as appreciate of exchange rate make import increase foreign product cheaper, which mean import less ??

3

3. Growth in China's manufacturing sector picked up in November, despite a crackdown on air pollution and a cooling property market that have been expected to weigh on the world's second largest economy.

Figure 3. China's Quarterly GDP growth (percent, year-on-year)

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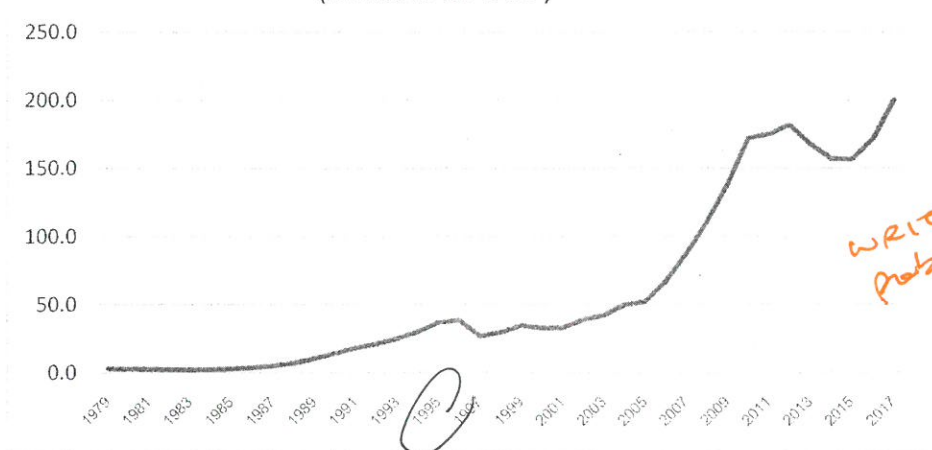
Explain why the ASEAN business cycle is shaped by volatile China's trade volume. Analyze the impact of China's recovery on the Thai economy and examine why the impact on Thailand is different from other ASEAN members.

~~Increasing~~ Rising volume of networks trade has deepened interconnectedness between ASEAN and China, a recent growth locomotive in the world. As China's expansion slows down, adverse consequences on ASEAN economies have become more pronounced. The extent of the damage depends on each member of ASEAN's trade exposure and China dependency. Undoubtedly, the slowing down (from illustrate from the diagram above) of Chinese economy, result in decline in long-term growth of some ASEAN economies. Because ASEAN economies have some degree of heterogeneity. ASEAN Economic Community, with diversity in population and economic sizes, income levels and natural resources, it is expected that synchronization of economic activity would be intensified with China. Such as Vietnam imports input materials mostly from China to serve its local production. Therefore, as the Chinese yuan has depreciated, Vietnam is able to buy materials at lower price thus, enabling it to cut production cost and raise Vietnam's competitiveness but ASEAN countries tries to approach the intervention in exchange rate to prevent currency appreciation since most of their GDP rely on exports. The average ratio of the volume of Cambodia's trade to GDP almost reached 100 percent, Cambodia is favorable environment to trade. And since China is a major trading partner of Myanmar, and bilateral trade with China accounts for 50 percent of total trade. China's economic growth and imports slowdown would adversely affect Myanmar's exports. However,

4. Examine Thailand's level of international reserves (Figure 4). What does it suggest about the Bank of Thailand's exchange rate policy? Analyze the policy impact on exports and inflation after 2015.

2

Figure 4. International Reserves  
(billions of USD)



In term fix exchange, ~~to~~ It is good in SR But not in LR.

For SR, the export will be good & good for country early stage of development and also no future exchange risk. However, LR, it is not realistic in LR. When it had a crisis, it is hard to adjust.

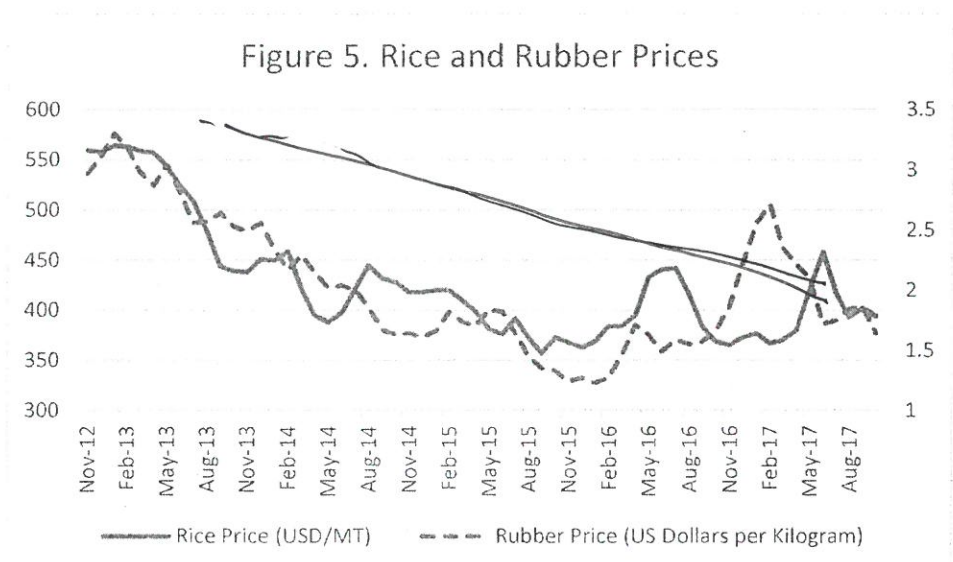
The government want to fix because the export will be increased. As in 1995, \$ is appreciate hence B is depreciate but it has fix exchange rate. Then, they are floating the money. While Flexible, we can adjust the exchange rate. the export is not good same as fix so gov't doesn't like.

As mundell, government spending ↑, income ↑, export ↑, Interest rate ↑, capital inflow → money supply ↑ (cap inflow), BOP ↓, exchange rate depreciate, export ↑ is a good model should do.

what are you thinking about?

2

5. Examine the international prices of rice and rubber from November 2012 to October 2017 and discuss the consequences of the price movements on poverty and income distribution in Thailand. What can the government do to improve the quality of life in rural areas? Note that there are 14 million people registered as being poor to qualify for the government aid.



NO ANSWER ON POVERTY/ INCOME DISTRIBUTION!

down word

Price of rice & rubber trend to be in the same way, very volatile & swing. and this is risky if not diversified, just to rely on these 2 products, Since we are the price taker, following the world price, and we so much rely on export, it's risky that we are now facing a higher price of products but we can earn less from selling these 2. So we are poorer

✓ What Government could do is a permanent project for them to educate them, build a higher productivity of labour to have more of competitiveness, help them diversity risk that they can somehow switch to produce something in the downturn or more of variety products other than just rice & rubber.

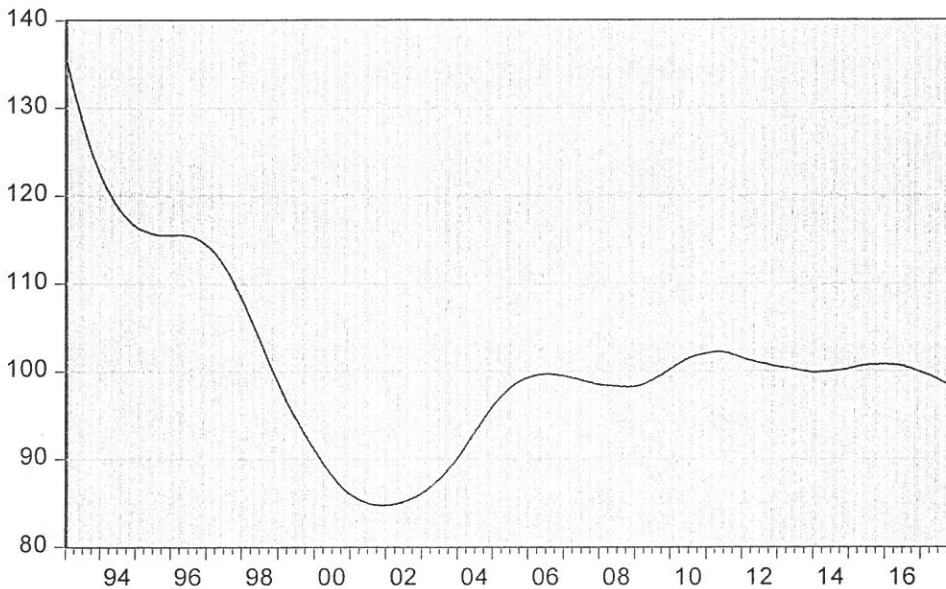
Subsidizing them in the right way would help a lot, no litter in the past that

helping them time by time, and many times that when they have problem they can't fix it by their own, waiting for help all the time, and that we could barely see the hope of a better future of quality of life in rural area.

6. From the information provided in Figure 6, what conclusion can we make about Thailand's fiscal policy for long-term growth and price stability?

Figure 6: Fiscal policy

Revenue-to- Expenditure Ratio (Trend Value)



The big decline in trend value after an AFC in 1997 is tremendous but able to rebound as time passed. After 2000s, it tend to be relatively stable. It could indicate that BOT is conservative that it does not spend that much meaning that Thailand has not really investing at all.