



EE463 : GLOBALIZATION AND INTERNATIONAL DEVELOPMENT



General Information about Thailand

- ❑ GDP growth more than 7%
- ❑ Poverty rate decrease / GDP per capita rise
- ❑ Export agricultural products

1850s → 1950s

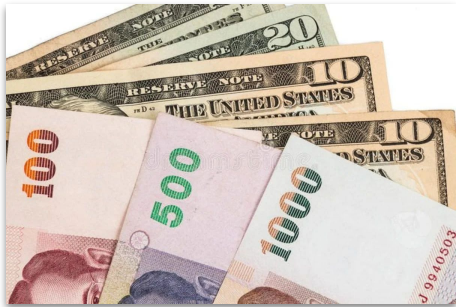
1980s : Economy slowed down

1960s → 1980s

1990s : Concerned of development



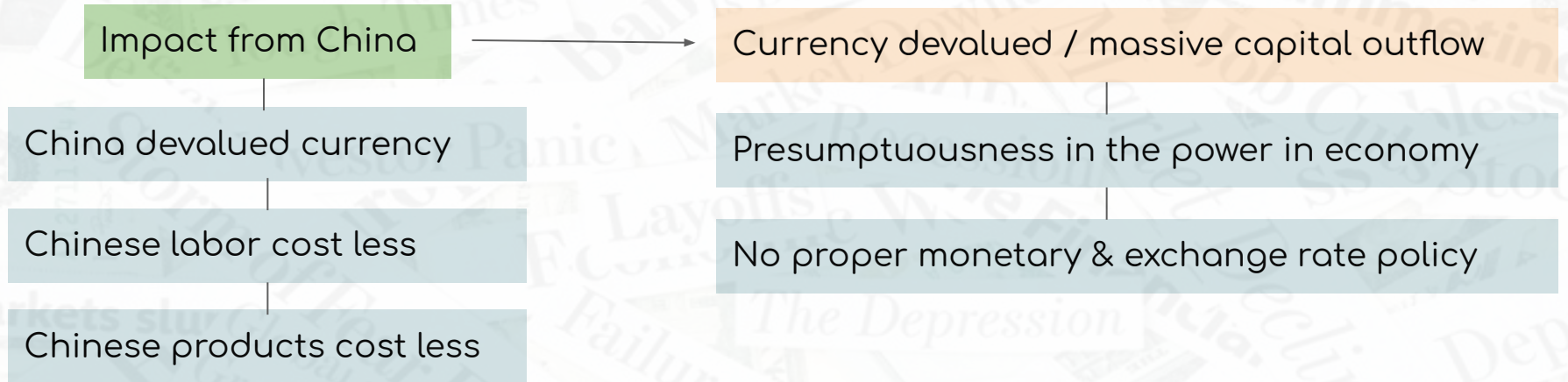
How it occur ?



Asian Financial crisis

- ❑ Currency devaluation
- ❑ Summer of 1997
- ❑ Ran out of foreign currency

Financial Crisis in 1997 to 1998





- ✓ Short-term funds disappeared rapidly
- ❑ Business unable to pay the high interest rate and bank sector can't provided sufficient loans
- ❑ Bank panic : Investor withdrawn money out of Thailand
- ❑ Consequence : Collapse assets / massive debts / High interest rate than USA

Policy Implementation

Monetary policy before the crisis

- High level of foreign investment

Fiscal policy before crisis

- Reduction in government expenditure

Monetary policy during the crisis

- Fixed exchange rate not effective

Fiscal policy during the crisis

- Current account deficit

Lessons learned

✓ *Improvement*

Need to be more reliable

Macroeconomics should be balanced

Appropriate fiscal and monetary policy needed

Well manage time & liquidity

Prudence and determination help heal faster

✗ *Learned*

Avoid massive current account deficit

Government policies was not successful



Conclusion

- The crisis occurred in 1997-1998.
- The reason is mainly from the forwardness in the power of Thai economy as they have experienced success for a long period.
- The results were a sequence of currency devaluations and large capital outflows.
- In part of policy, the main problem is fixed exchange rate that had been used in Thailand for a long time (25 bahts to 1 US Dollar).
- For the improvement of Thailand, nowadays all of the banks do not let people loan easily anymore. In order to keep more national reserved money.