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Analysis of Key Events to Economic Growth in Thailand's History

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Abstract: In recent decades, Thailand has made a lot of efforts to achieve a rapid economy increase, and completed the transition from agricultural production to industrialization. Thailand's economic journey has seen significant reforms, challenges, and changes, closely intertwined with global economic changes and domestic policies. This article examines Thailand's economic trajectory from the 1960s to the present day, focusing on pivotal events such as the economic reforms of the 1960s, the Asian financial crisis in 1997, and the growth of the tourism sector since the 1980s. By examining these key historical moments, it aims to uncover the fundamental principles and trends that have influenced Thailand's economic development trajectory. Through an analysis of their impacts on economic growth, this study identifies lessons gleaned from both successes and setbacks. It highlights the significance of adaptive economic policies, resilience in the face of external shocks, and the role of sectoral diversification in fostering sustainable growth.

Keywords: Thailand Economy, Thailand History, Industrialization, Asian Financial Crisis, Economic Growth.

1. Introduction

Since the early 1960s, Thailand's per capita GDP has just reached three digits, and before the outbreak of COVID-19, Thailand's per capita GDP had reached a peak of US$7,629. In these decades, the per capita GDP has increased by more than US$7,000 [1]. Thailand has made a lot of efforts to achieve this achievement. In the early 20th century, Thailand's economy was mainly agricultural-dominated and relied on agricultural product exports, such as rice, rubber, and timber. Thailand's early economic structure was an agricultural society, with most of the population engaged in agricultural production.

At the beginning of the 20th century, Thailand's economy was mainly based on agriculture. From 1867 to 1937, Thailand's annual rice exports amounted to more than 65% of its total production [2]. The focus after World War II was on rapid industrialization to achieve huge economic growth through a structural shift from low-productivity agriculture to high-productivity industry. In these 60 years, Thailand's economy has achieved a huge leap and completed the transition from agricultural production to industrialization. This article analyzes the economic reforms in the 1960s, the Asian financial crisis in 1997, and the development of the tourism sector since the 1980s, it also analyzes the key events in Thailand's history that have affected economic growth to understand the laws, and trends of economic development, and identify the lessons learned from success and failure.

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2. Thailand's Economics Reforms in the 1960s

In the early 20th century, Thailand's economy was mainly based on agriculture. This period was the starting stage of Thailand's economic development. The economy at that time mainly relied on agriculture, especially rice cultivation. Rice is Thailand's main food crop and one of its important export commodities. Many Thai people are engaged in agricultural labor, which reflects the basic nature of the economic structure at that time. Thailand began to export agricultural products to the international market in the early 20th century, mainly rice and natural rubber. These exports brought foreign exchange income to the country and promoted economic growth to a certain extent.

Thailand is a country in Southeast Asia that is free from direct colonial rule. However, colonial forces are very influential. At that time, Thailand signed some unequal treaties on trade with other countries, which stimulated the growth of trade. From 1857 to 1859, the average annual export of rice was about 49.5 million kilograms, and it doubled from 1860 to 1864. It reached 556.5 million kilograms from 1900 to 1904 and 1.289 billion kilograms from 1930 to 1934 [2]. The emphasis on exports in agriculture is reflected in the overall economy, and the overall economy is highly dependent on agriculture, which is the result of the stagnation of the domestic market. This is because a large part of the profits is not used for local reinvestment but are transferred overseas. This loss of profits is partly due to the repatriation of profits by foreign companies. The dramatic social changes during World War II helped the Thai economy truly begin to develop. After the end of the Korean War in 1953, the international market demand for rubber, rice, and tin dropped sharply, and prices plummeted, resulting in a serious "foreign exchange crisis" in Thailand in 1954 [3]. This made Thailand realize the importance of industrialization, and Thailand officially decided to promote industrialization.

After World War II, western powers increased their investment in Thailand, and the Thai economy recovered and developed. The United States' economic assistance to Thailand began with the Agreement on Economic and Technical Assistance and Cooperation and the Educational Exchange Program signed in 1950 [4]. The United States helped Thailand build roads. Thailand used US funding to open up the main transportation routes from Bangkok to the northern and northeastern mountainous areas, allowing the government to strengthen control and transportation in various places. The United States also helped Thailand repair bridges and build airports. It also helped Thailand in education, improving the teaching ability of local teachers and improving methods to give Thai children better educational opportunities. The construction of road transportation makes it easier for resources and goods to flow, improves productivity, reduces transportation costs, promotes the development of the market economy, and accelerates the urbanization process. The improvement of the education system improves the education level and skills of talents, adapts to the needs of the modern economy, promotes industrialization and technological progress, and improves the overall social and economic level of the country.

In 1959, Thailand restructured the Office of the National Economic Development Board (NEDB) and began formulating the nation's Economic Development Plan. The *First Six-Year Plan* (1961-1966) and the *Second Five-Year Plan* (1967-1971) were initial development plans formulated by the Thai government to diversify the economy and reduce reliance on agriculture. The goal of First Six-Year Plan was to achieve rapid economic growth, during which a large amount of money, about 21.26 billion baht, was invested. Thailand focuses on the development of infrastructure, including the construction of roads, bridges, ports, and power facilities. To develop industrial production that can replace imported consumer goods, the plan focuses on promoting the development of the industrial sector, especially light industry and processing manufacturing. In these six years, Thailand has achieved better results than expected. The original planned annual economic growth was 5.5%, the actual annual growth was 8.1%, the agricultural plan was to increase by 4.5%, the actual annual

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growth was 5%, the actual annual growth of the manufacturing industry was 10.5%, the annual export growth was 14%, and the per capita GDP increased from 2,100 baht in 1961. Increased to 2,787 baht in 1966 [5]. The First Six-Year Plan was a critical stage in its modernization and industrialization process, and Thailand's economic growth rate increased significantly. The success of the first Six-Year Plan was to promote many aspects of the country's modernization, including infrastructure, industrialization, and agricultural modernization. These achievements have laid a solid foundation for economic development in the coming decades.

In the second five-year national economic and social development plan, Thailand not only continues to build infrastructure but also pays more attention to social development and the development of human resources. It continued to promote the industrialization process, especially strengthening the development of heavy industry and basic industry. In the process of promoting industrialization, Thailand has not forgotten the development of agricultural convenience. The plan includes agricultural modernization and rural development policies to improve farmers' productivity and living standards. The second five-year plan did not reach its original target due to a reduction in foreign loans, but the ratio of domestic investment to gross national product still increased to 23.6% from 21.4% in the previous six-year plan. Thailand's Second Five-Year Plan further promoted Thailand's modernization and industrialization process from the late 1960s to the early 1970s. In the 1960s, the two plans jointly promoted the modernization and industrialization processes of Thailand's economy, improved the country's economic growth rate and overall economic strength, and laid an important foundation for future economic development.

3. Asian Financial Crisis in Thailand

Thailand is a member of the Association of Southeast Asian Nations and implements a liberal economic policy. Before the outbreak of the financial crisis in 1997, various economic indicators soared, and GDP continued to grow. Thailand experienced rapid economic growth in the early 1990s. The per capita GDP soared from more than US$700 in 1980 to US$3,000 in 1996. During the period 1980-1994, the proportion of Thailand's manufacturing industry in GDP increased from 22% to 29%, and manufacturing exports grew by 30% annually. During the same period, the proportion of agricultural exports decreased from 47.7% to 13.9%, and the proportion of agricultural output value in GDP decreased from 21% to 11% [6]. The proportion of Thailand's total domestic fixed investment in GDP has also increased year by year, and the proportion of foreign direct investment has also increased year by year. Thailand's economy has successfully transformed and is no longer an economy that relies on agriculture. Despite rapid economic growth, Thailand also has structural problems, including a widening gap between the rich and the poor, uneven regional development, and the risk of an over-expansion of the financial sector. The Thai economy is highly dependent on external financing, especially short-term foreign debt and foreign direct investment. This makes Thailand more sensitive to fluctuations in the international financial market.

In July 1997, Thailand's capital outflow and exchange rate depreciation sparked panic among the public. Everyone went to the bank to exchange dollars. The banking industry was hit hard, forcing Thailand to abandon the fixed exchange rate system, triggering a sharp depreciation of the Thai baht. This incident shocked the international market and triggered a chain reaction of financial crises in other Asian countries. At the end of 1997, the stock markets of Thailand, Indonesia, Malaysia, the Philippines, and Singapore fell by 75.9%, 73.7%, 69.1%, 61.7%, and 43.1%, respectively [7]. Due to problems such as excessive short-term foreign debt, insufficient foreign exchange reserves, and rising non-performing loan rates, Thailand's financial institutions experienced large-scale closures and bankruptcies. This led to the collapse of the entire financial system, investors losing confidence, and capital outflows. Thailand's economy fell sharply after the outbreak of the crisis. In 1997, Thailand's economic growth rate plummeted from the high level of previous years and even experienced a serious economic contraction. The Thai exchange rate reached as low as 32.6 baht per US dollar, with a depreciation of more than 30%. GDP experienced negative growth for the first time, the unemployment rate rose, the poverty rate increased, and social unrest intensified.

Faced with the financial crisis, the Thai government was forced to seek assistance from the International Monetary Fund (IMF) and accept a series of emergency fiscal and monetary policy adjustments. The Thai government implemented fiscal and monetary tightening policies to control inflation and fiscal deficits and stabilize the domestic economic environment. Thailand restructured and rebuilt its financial system, including strengthening bank supervision and auditing, cleaning up and restructuring non-performing assets, and improving financial transparency and management capabilities. The government also supported weak financial institutions through capital injections and other measures. On August 14, 1998, the Thai government announced the "8·14" financial restructuring plan, which lasted until the end of 2000. A total of 13 financial institutions received 73.734 billion baht in capital injections [8].

The Asian financial crisis had a profound impact on Thailand's long-term economic growth. During the crisis, Thailand's economy suffered a heavy blow, and its gross domestic product (GDP) fell sharply. Despite the recovery after the crisis, the economic growth rate has not returned to the pre-crisis level for a long time. Investor confidence has been seriously damaged. This lack of confidence may lead to the obstruction of long-term capital inflows, affecting the country's long-term economic development. Thailand's implementation of structural adjustments and reforms is beneficial to long-term economic growth, but its implementation process may cause certain obstacles and discomfort to the short-term economy.

4. Development of the Tourism Sector in Thailand

Since the 1980s, the Thai government has actively promoted the development of tourism. In 1979, the Thai government proposed the *National Tourism Draft Act and the Tourism Industry Self-Employment Draft Act*. After passing the vote of the National Legislative Assembly of Thailand, the two draft acts were declared Thai law, and the Tourism Authority of Thailand was also decided to be established [9]. The government hopes to promote the natural beauty of Thailand, attract tourists to travel to Thailand, provide tourists with convenient and safe services, and promote friendly relations between countries. In the 1990s and early 2000s, Thailand's tourism industry grew rapidly and became one of the important pillars of the national economy. A series of tourism-related laws and regulations have been formulated, including legal frameworks for protecting tourists' rights and interests, managing the tourism industry, and promoting the development of tourism. The Thai government has invested heavily in tourism infrastructure, including the construction and improvement of roads, airports, ports, hotels, and tourist facilities. The contribution of Thailand's tourism industry to economic growth is very significant. Tourism directly supports a large number of employment opportunities and also drives the development of related industries, such as agriculture, handicrafts, culture and art, etc., thereby promoting national economic growth.

To attract more foreign tourists, the Thai government has introduced convenient measures, such as visa-free or electronic visa policies, simplified entry procedures, etc., to improve the convenience and comfort of tourists. Tourism has become one of Thailand's important sources of foreign exchange. Millions of international tourists each year bring in substantial foreign exchange earnings, supporting the country's trade balance and exchange rate stability. Thailand’s tourism resources are widely distributed, and all regions can benefit from them. After the financial crisis in 1997, the tourism services trade became the key to Thailand's solution to the economic crisis. In the past 10 years, Thailand's international tourism revenue has tripled from US$121 trillion in 2005 to US$481.04 trillion in 2015 [10]. The long-term development of Thailand's tourism industry provides a solid

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foundation and driving force for economic growth, not only increasing the GDP but also improving the quality of life and social welfare.

5. Conclusion

From the 1960s to the present, Thailand's economic journey has seen significant reforms, challenges, and changes, closely intertwined with global economic changes and domestic policies. The foundations for industrialization and export-led growth were laid, laying the foundation for Thailand to become one of Southeast Asia's economic powerhouses. However, the Asian financial crisis in 1997 exposed the fragility of the financial sector and highlighted the risks of rapid economic expansion without adequate safeguards. Amid these challenges, tourism has emerged as a resilient pillar of the Thai economy since the 1980s, contributing significantly to employment, foreign exchange earnings, and regional development. The growth of the sector highlights Thailand's ability to diversify its economic base and leverage its cultural and natural assets on the global stage.

Throughout its economic history, Thailand has experienced complex development dynamics, learning valuable lessons from both successes and adversities. Looking ahead, maintaining inclusive growth, building resilience to external shocks, and promoting sustainable development will remain key priorities for Thailand's continued economic prosperity. Thailand's experience provides a nuanced understanding of economic development, illustrating the importance of adaptive policies, strategic foresight, and a diversified economic base in navigating the complexities of a globalized world.

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