Chapter 6

Summary and Conclusion

As the world started to enter the globalization process, economic reform and liberalization have clearly been seen as an important stuff to trigger a large expansion of economic activities all around the globe especially developing countries like Thailand. The 1990s have seen an expansion of economic activity among the developing countries through a series of economic reforms in their economies that have been introduced since 1990s. A predominant atmosphere of rapidly increasing economic cooperation and unavoidable expanding economic interdependence has presented a new era of world economy. Immigration, technology transfer, easily accessible information, inflow of capital among borders, growing cross-border movement of goods and services and so on all are the clear evidences for increasing economic integration.

Economic relations, since globalization came to be introduced, rapidly occupied the realm of international relations and play an obviously constructive role to herald an improvement of international relation as well. The breakthrough of globalization and liberalization trends, the increasing imperatives of economic integration and free trade negotiation all are considered as an important factor to trigger the expansion and
increasing importance of economic diplomacy. Thailand is not able to effectively deploy its potentials unless it emerges as a larger trading nation, improve export performance and adjust its imperative economic policy without side effect for its own economy. It means Thailand must pursue and sustain its economic growth with a sustainable condition to establish its financial and economic stability. Thailand and policy makers should realize their roles in conducting an aggressive economic diplomacy in order to create gateway for expanding its trade with another part of the world. At this point, the share of Thailand in world trade and investment flows must increase. Its trade and investment regime and associated business laws and regulations all are needed to motivate freer flow of goods, services and capital, and eventually take an advantage by opening more to G.C.C., as well as other neighbouring countries.

The economic integration is fundamentally driven by the attractiveness of maximum benefit. Simultaneously, one is needed to accept the growing tough competition in the market imposed by other countries. In fact, integration with the world economy through globalization and liberalization is to be at a high profit to those countries which have established the mechanism for effective industrialisation and development. This has in fact encouraged in improving productivity of the associated economy. This has also contributed the creation of related institution that would facilitate the functioning of the market in the positive
way of the countries. Of course, integration with the world economy is the way to improve technological and managerial capability which enables Thailand to be more competitive and eventually create an environment of economic stability.

Thailand basically needs to develop its bargaining skills in global arena and provide an effective approach to improve contemporary economic diplomacy both in its cooperation with the developed industrial economies as well as in her relations with the primitive developing countries. The essence of policy implementation as well as public debate in the area of foreign policy has for long trapped in internal economic and political issues too much which resulted in ineffective economic diplomacy. Therefore, after sustaining its economic growth, Thai strategies must take more account on effectively improving Thailand’s economic diplomacy.

So far, the policy formulation on Thailand’s relation with foreign countries has not fully taken economic diplomacy into account at the level it should be. The clear example can be stated by Thailand’s failure or slow progress in restoring relationship with Saudi Arabia. This could be identified as an important impediment for economic diplomacy’s development between the two sides. Besides, a little progress had been made in the negotiation of Thailand’s FTA with Bahrain, without any signal of any breakthrough. All of the shabby responses perhaps are
attributed to the oncoming political uncertainty which being a serious concern for Thailand. Unless one can deal with this serious problem and restore its policy, economic growth which is key stuff to improve the profile of Thailand’s economic diplomacy would be difficult to take place. In this tough competitive world, not only effective economic diplomacy be conducted but also its implications to trigger an effective economic diplomatic performance in this rapidly growing world of economic cooperation be examined.

The maximum benefit from the potential of economic cooperation between Thailand and oil rich G.C.C. countries has heralded an enormous improvement of trade that observed to be continuously increasing year by year with the balance sheet of overall trade favourable to G.C.C. sides due to Thailand’s much dependence of oil from G.C.C. countries. Due to its massive industrial and agricultural bases, Thailand is in the position to consistently supply more goods and services to G.C.C. requirement. Nevertheless, as compared to US or Chinese market, the overall share of Thailand’s export to G.C.C. market has still been negligible and marginal. Besides, investment from G.C.C. countries in Thailand has been small. From the statistical data on changing export commodity composition, it is observed that the major items which sustained its potential growth in this market are vehicle, electronic devices and so on. These products are still required by G.C.C. countries. If
Thailand wants to maintain its growth at this level or higher, one has to be vigilant for massive supplier like, China and India which always pose a major threat to Thailand export performance in this market. Therefore, it is a strong commitment for Thailand’s Department of Export Promotion to adapt the changing circumstances and increasingly challenging environment by conducting huge and constructive campaign with given wide coverage to keep Thai’s products even more competitive in price and capabilities. Besides, strict quality control policy should be implemented to excel the export performance; otherwise, it will create negative impacts for the future. Recently, with a rapid appreciation of the value of Thai baht due to the so-called hot money influx to Thailand with deliberate speculations, it is Thai’s government obligation to appropriately intervene in the value of Thai baht in order to maintain and maximize level of export; otherwise, Thailand possibly will lose its current value of exports, especially to G.C.C. countries, sooner or later. Because, a lot of suppliers whether developed and developing countries look forward to exploit in this market.

The US is Thailand’s largest export market and second-largest supplier after Japan. While Thailand’s traditional markets have been North America, Japan and Europe. Economic recovery among Thailand’s regional trading partners has enhanced Thai export growth. Increasing exports of Thailand to the rest of Asia and the US is a major stuff to gradually recover from 1997 financial crisis. This current global financial
crisis is mainly represented the linkage of economy with US economy. In fact, Thailand is export-based economy whose largest export destination has always been US market. US has been blamed for this current global crisis mainly because of the absence of proper laws and financial regulations. The US import demand has slowed down which had impact on Thai export performance which heavily focuses on US market. However, Thailand recovery is not dependent upon only US alone but the neighbouring Asian countries, particularly Japan, China and other. The recovery of neighbouring Asian countries no doubt represent a positive sign for Thai economy. It can be described that Thailand authorities required immediately stabilizing and increasing domestic activity and reducing Thailand's reliance on foreign trade and also improving small business enterprise as well to cover up this losses. Besides, Thai authority must embrace a "dual track" economic policy that combines increased domestic activity with Thailand's traditional promotion of open markets and foreign investment. Moreover, due to the political uncertainty and the seizer of Thailand international airport by People Alliance for Democracy(PAD) triggered an undesired environment for investment and tourism spheres. Therefore, it is a serious commitment for Thai government to restore the situation and try to regain foreign investor confidence as soon as possible.
Incidentally, Thailand and G.C.C. trade represent remarkable improvement, despite tough competition imposed by neighbouring South East Asian countries, Japan, US and European countries. These countries have been struggling to secure and increase their export market in these wide-opening massive markets. Thailand supplies in this huge market with small value as compared to large volume of imported products from G.C.C. countries, especially oil which registered a continuous increasing trend. The largest export items of Thailand to the world are clearly agricultural product, especially rice; however, the largest export items of Thailand to G.C.C. are industrial and electronic products like vehicle, electronic devices. This is directly attributed to the increasingly tough competition on rice export of Thailand which was imposed by Vietnam and of course Basmati rice of India which registered the largest share in this massive consumer market. Recently, Thai launched a massive campaign on high quality of Thai rice named Jusmin rice. Jusmin rice is slowly becoming known in G.C.C. countries. Therefore, Thailand's obligation is to try to productively revise its strategy to get more shares in this rich and huge market. Incidentally, the private sector role is compulsory to explore and facilitate the existing opportunity in expanding trade, commercial and investment sectors. The Thai-G.C.C. trade volume of $24 billion in 2007 only identifies as an initial stage for the private sector players and there are obligations for the private sectors to work
potentially to take more advantage and benefit in the existing opportunities between Thailand and the G.C.C.. High level private sector interaction would further herald the existing circumstance and would provide a mutual support to the commitment of Thai-G.C.C. to grow commercial and investment cooperation. In order to improve the country’s trade diplomacy, Thai-G.C.C. business conference which is organized jointly by Thai business promotion union and the Bahrain Chamber of Commerce and Industry (BCCI) came to take place to embark on a comprehensive and visionary programme of initiatives paving the way for enhancing the bilateral business relation between Thailand and Bahrain and major gateway to other G.C.C. members as well. Moreover, Thai Business Centre (BTC), a permanent export centre in Bahrain was set up by the private sectors of both countries to conduct a massive campaign for Thai products and services should be revitalized for all the G.C.C. market.

Thailand has seen Bahrain as gateway to G.C.C. region. Thailand is currently focusing on free trade agreement (FTA) with G.C.C. countries. Both sides were close to sign the FTA when the G.C.C. side had come up with a proposal to extend this agreement to Thai-G.C.C. trade treaty. The new approach is identified as an important forward step to enhance the existing base of trade. Undeniably, investment and commercial activities among the parties concerned is expected to trigger a massive impetus on economic development of the two sides. The top
priority of Thai government is to narrow down trade deficit by improving export performance to this region. Simultaneously, Thailand must use more efficiently the imported energy, especially oil which plays a crucial part for balance sheet favour to G.C.C. side. On the other side, this high trade deficit has long been compensated by Thailand's labour working in G.C.C. countries. Due to the sky-rocketing increase in oil prices, massive and surplus capital flowed into G.C.C. countries. Then, they realized that it will be highly risky to rely on only depleting natural resource, oil. Consequently, massive ambitious infrastructural programme had been initiated to allow diversification to take place. Less indigenous labour forces existing in G.C.C. inevitably brought the requirement on expatiate labour force to carry on the ambitious and massive development programmes. This was a huge opportunity for relatively massive amount of labour force like Thailand to start exporting labour to this region on full scale. More than 70 percent of overall Thai's expatriate labour has been working in G.C.C. countries since oil boom in the mid 70s. The number registered highest level in 1982 with 95 percent of Thai's labour forces working in Saudi Arabia which generated relatively large amount of remittances. We have observed that after mid 1980s when oil prices in the global market declined, Thai's labour export to G.C.C. also fell. However, the completion of various projects which started in the beginning of oil boom and visa expiry could also be attributed to this falling trend. After oil
price showed a sign of recovery, the overall volume of Thai’s labour force migration kept growing again. However, massive decline of Thai’s labour force working in G.C.C. was registered during the Gulf war period. Apart from Gulf war, other unfortunate incidents took place, namely gem scandal between Thai and Saudi Arabia, Saudi Arabia’s officers killed in Thailand and Saudi Arabia’s businessmen disappearance in Thailand. These unfortunate incidents resulted in negative impact on overall relations between the two sides which were still unresolved. Massive decline of Thai’s labour in Saudi Arabia immediately came after the above incidents. The relationship of the two sides became strained and frozen. Nevertheless, bilateral trade between the two seemed to be slightly affected. After this period, the volume of Thai’s labour in other G.C.C. member countries were also declining. Meanwhile, annual labour outflows from Thailand had been fluctuating massively. Ironically, most of Thai’s labour shifted their destination to East and neighbouring Asian countries not far from home and easier to get working visa. Recently, G.C.C. hosts only 10 percent of Thai’s expatriate labour force. The Thailand’s labour minister, was quoted that G.C.C. still needed Thai’s labour, especially skilled labour. If Thai’s government revised its strategies and made positive campaign, momentum can possibly be regained.