



# What Should We Learn from the Crisis Experiences of Individual Countries? What Are the New Challenges?

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Learning from the Asian Financial Crisis"*

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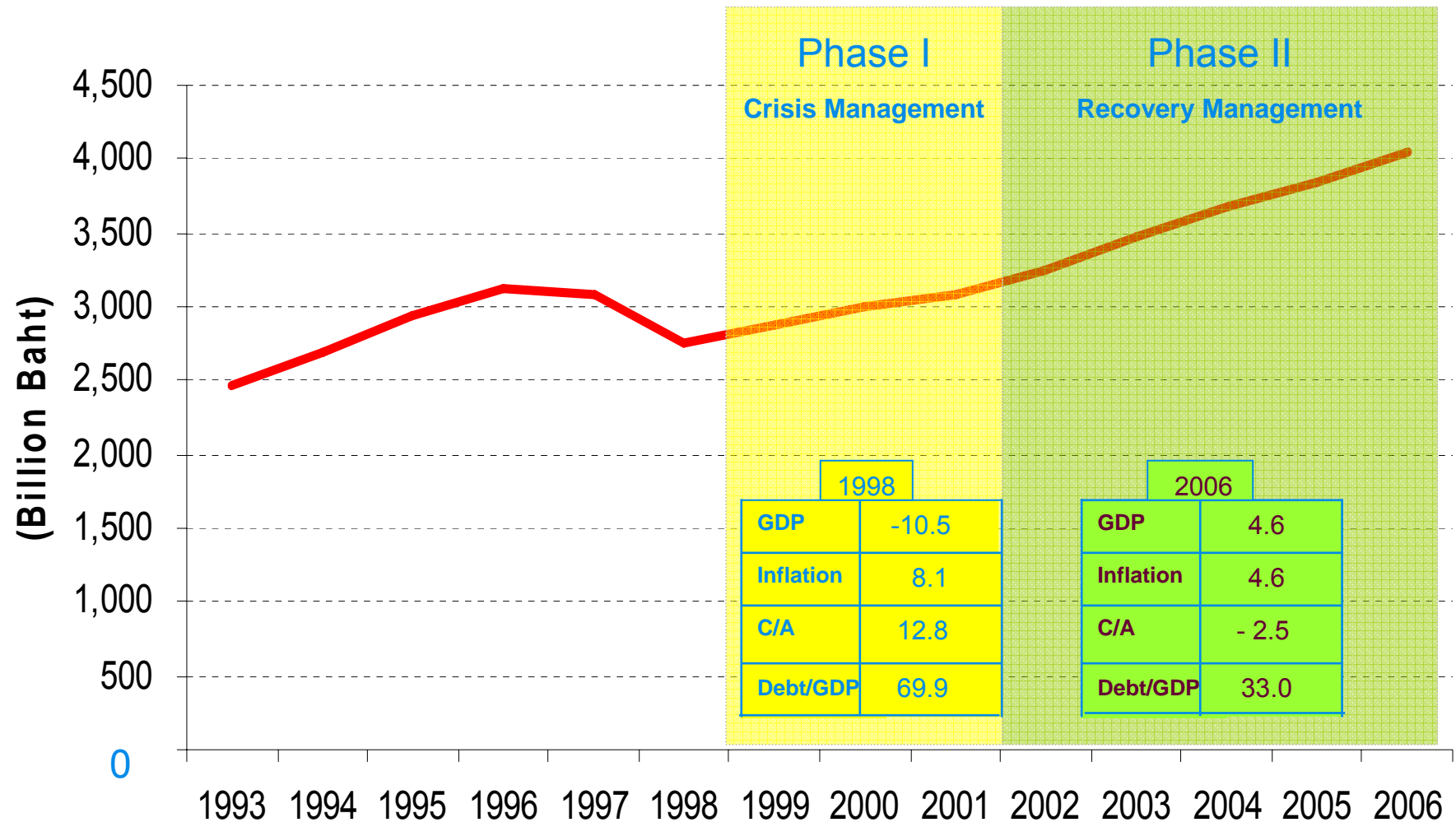


## Outline

- **Overview of the Thai Economy: 10 years after the crisis**
- **Thailand's crisis management strategy and consequences**
- **Additional factors contributing to the recovery**
- **The challenges ahead**

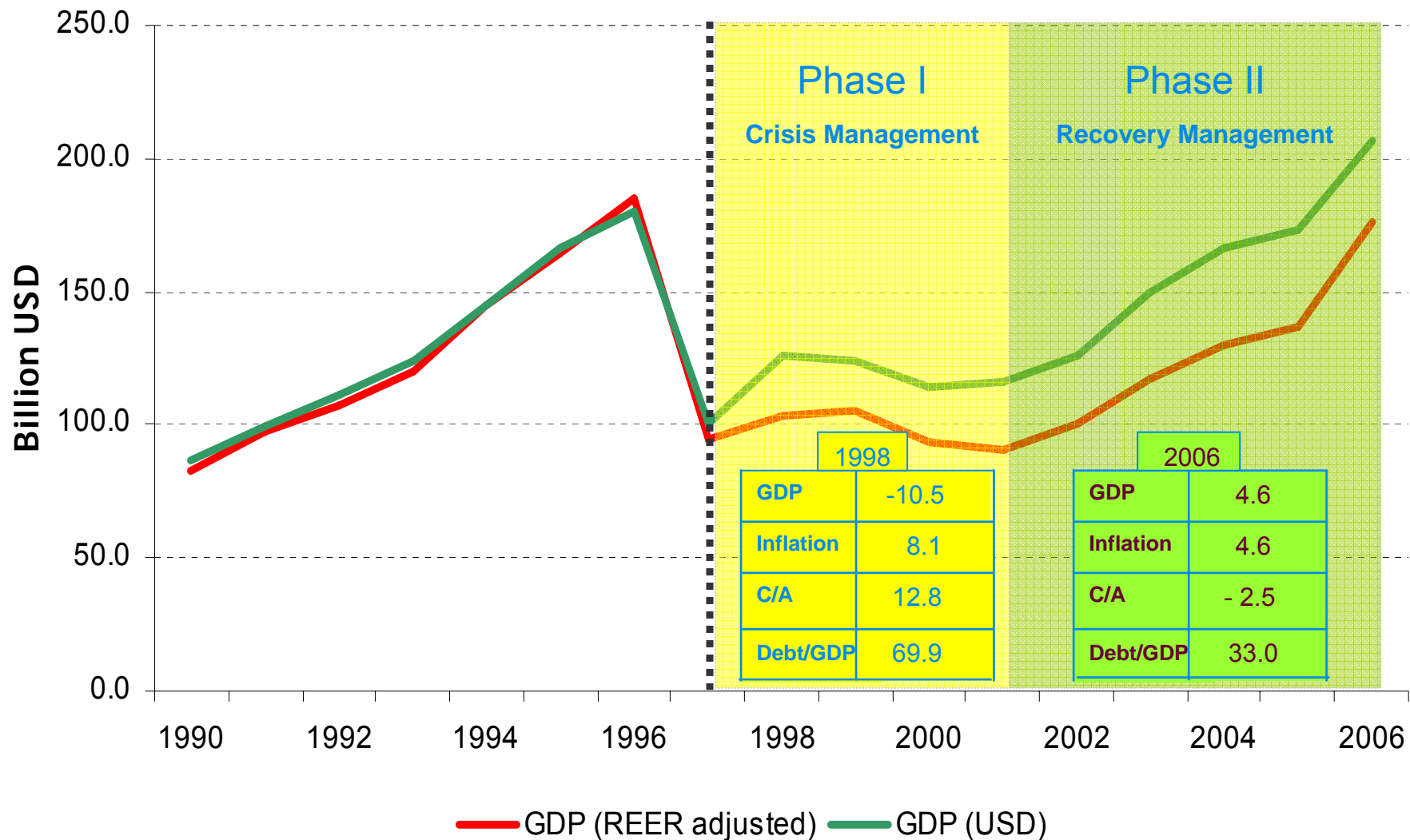


### Thailand: Real GDP



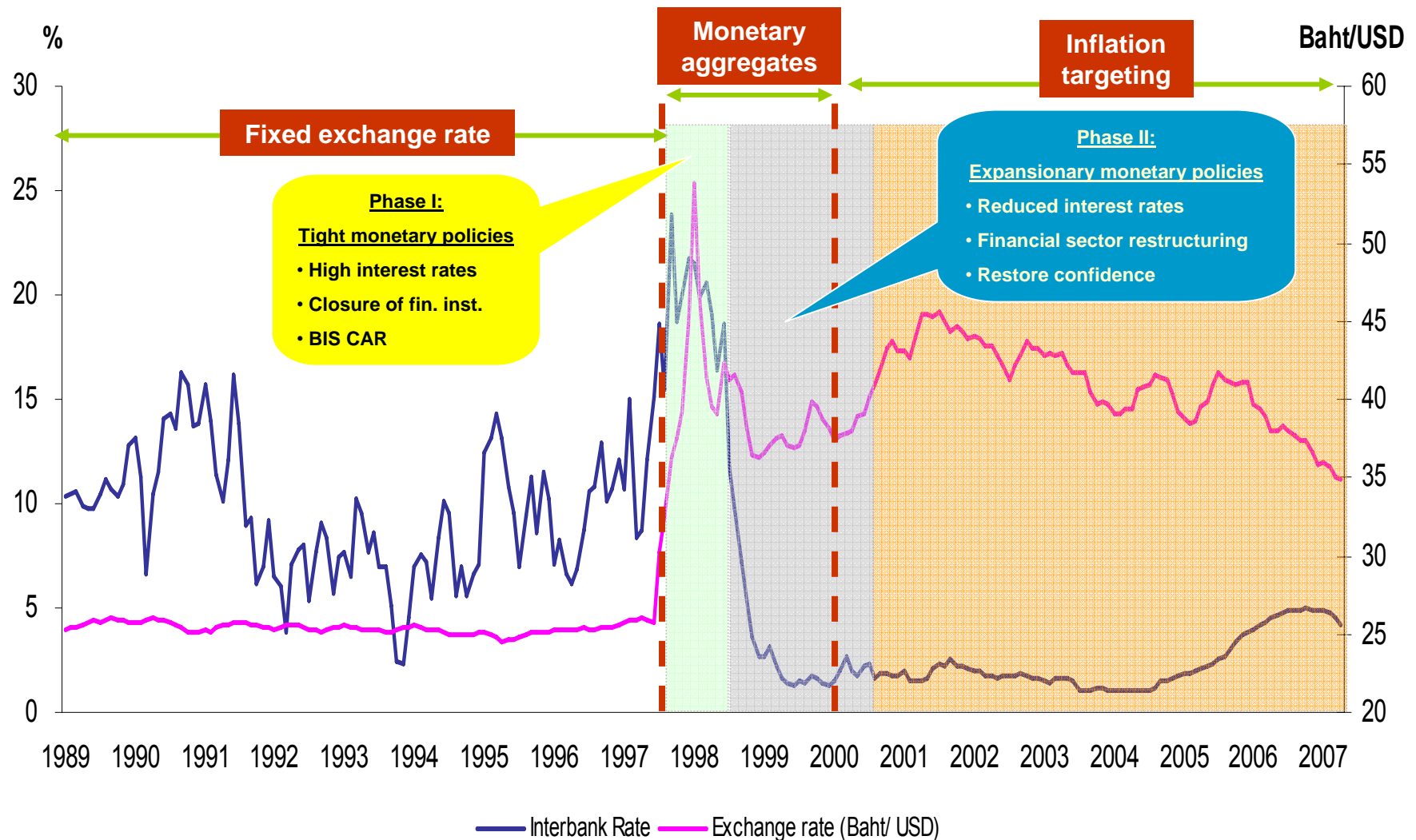


**THA: GDP (USD) vs. GDP (REER adjusted)**



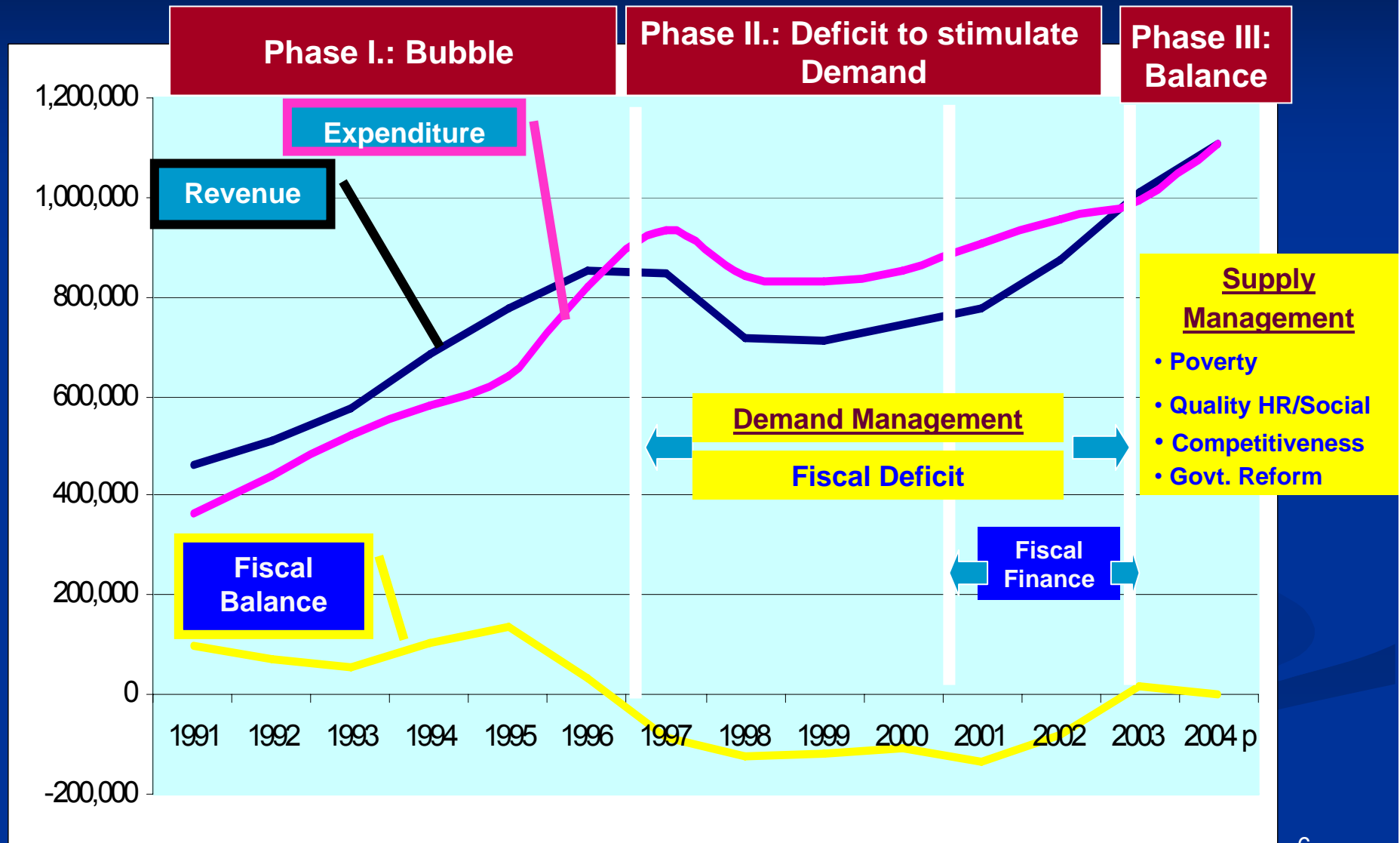


## Thailand's Monetary policy and management phases - Stabilizing the exchange rate -





## Supporting the recovery – the conduct of fiscal policy





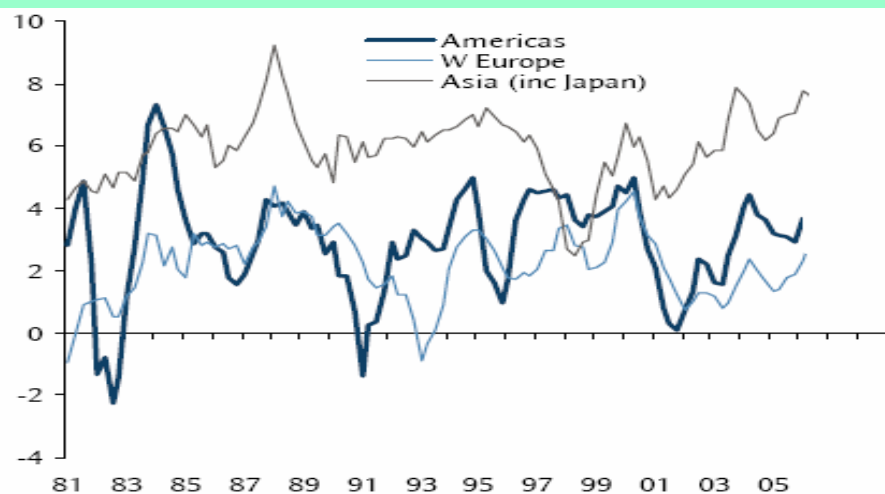
## Thailand : Key Policies in Demand Management Phase

- **Refuse** to increase tax (VAT to 10%) for fiscal balance but reduce some specific tax rates to stimulate demand
- **Restoring** fiscal discipline – Fiscal Sustainability Plan
- **Fiscal finance policy** – due to excess liquidity in the financial market and dysfunction of the banking sector
  - Choices: External borrowing vs. Excess liquidity
  - Choices: Consumption spending vs. Loans for investment  
Village Fund/ People’s Bank/ SME Loans/SML funding
- Stimulating the **real estate sector** (not allowing the market price to sink to the bottom)
  - TAMC homes for civil servants, Fee reduction for of real estate deed transfers
- Expanding the export bases via **FTAs**

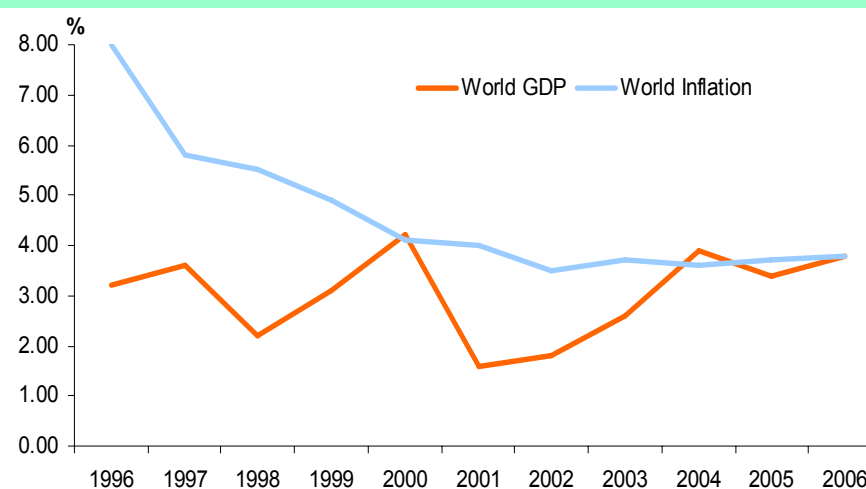


# Additional factors contributing to the recovery: (1) External factors

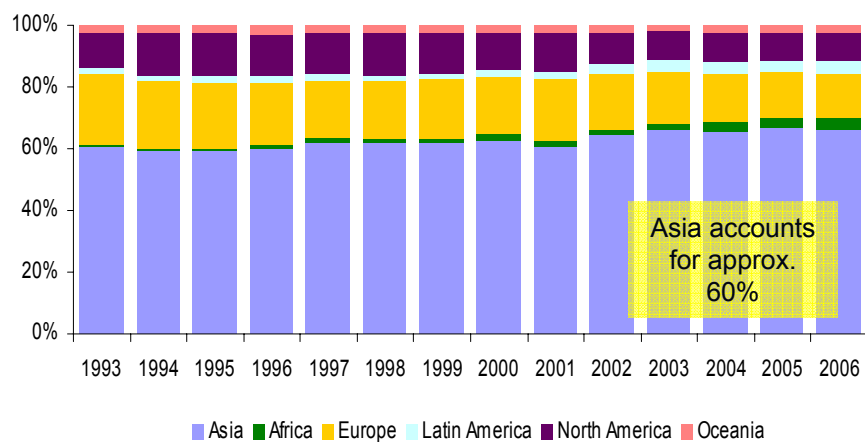
Annual Global GDP Growth Rate (% YoY)



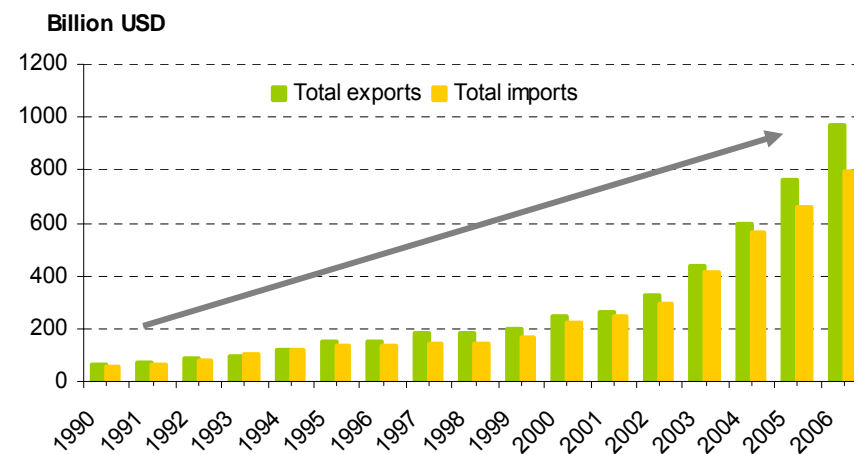
World GDP and Inflation



Imports of China from the various regions



China's Trade

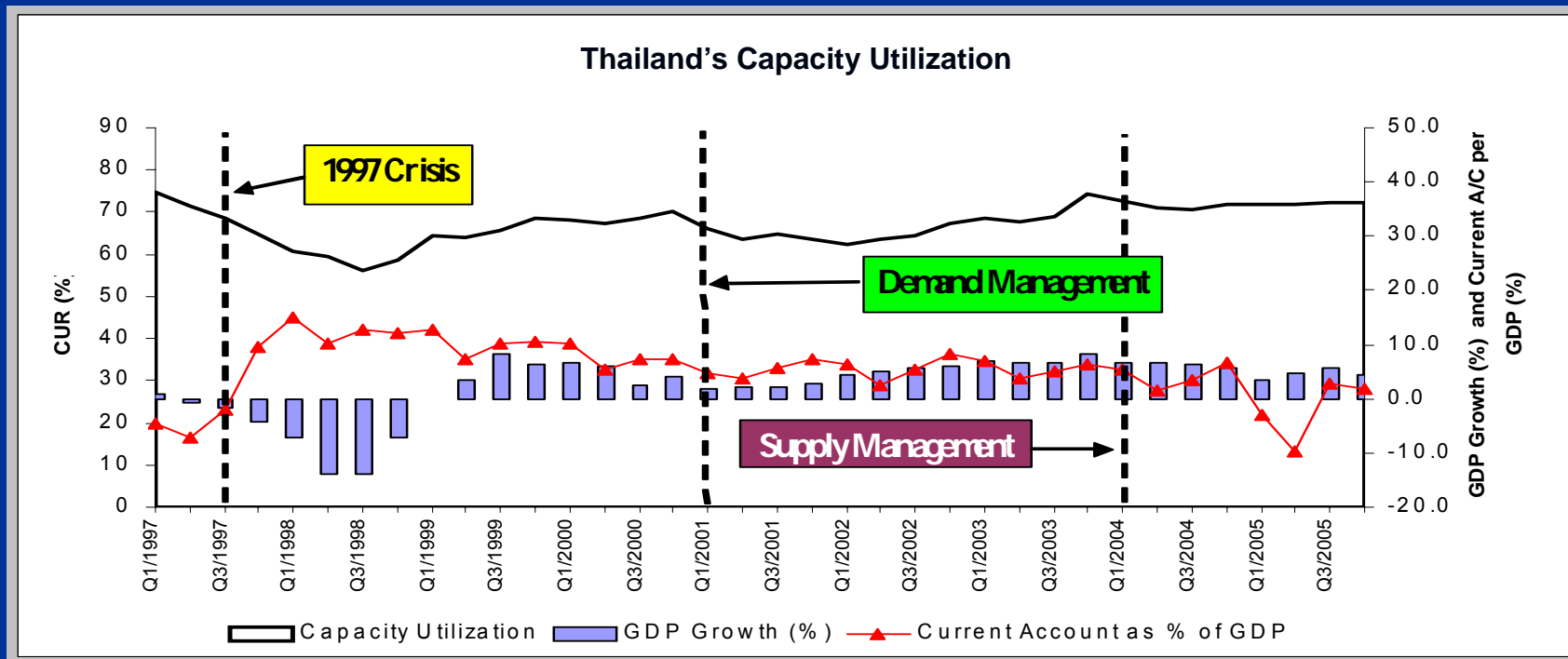






## Factors contributing to the recovery: (2) Internal factors

- Sudden drop in capacity utilization after the crisis
- Free productive capacity to serve domestic demand and exports *without* new investments



Strong exports + low investments + low imports → C/A surplus, ↑ int'l reserves + domestic policies/reforms ⇒ **the recovery**

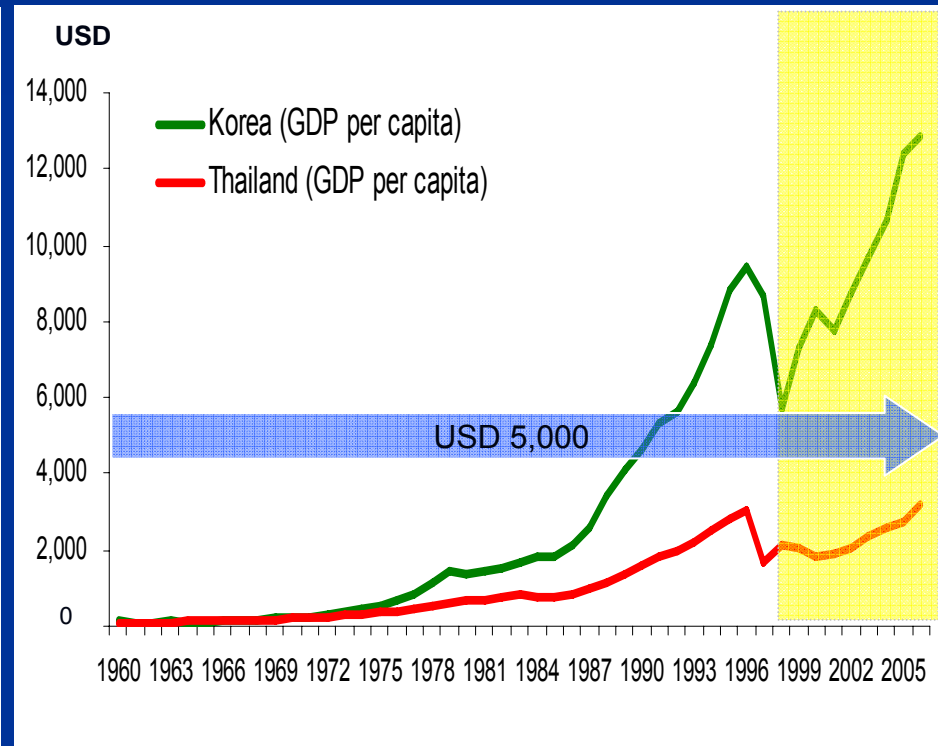
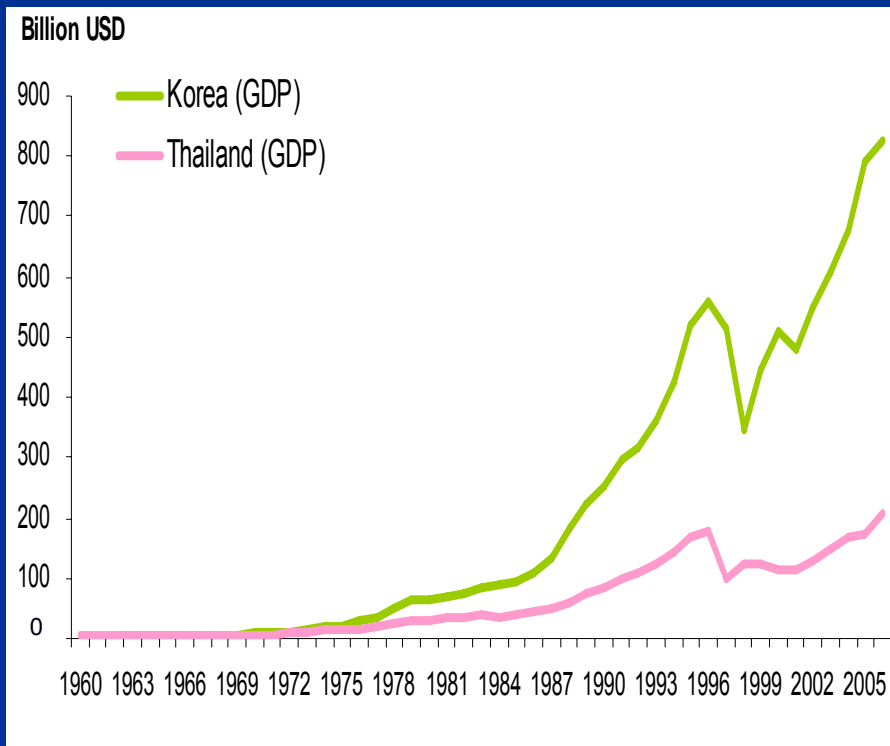


## **The challenges ahead :**

**The crisis is over.  
Now, how to manage supply amid the  
global imbalance?**



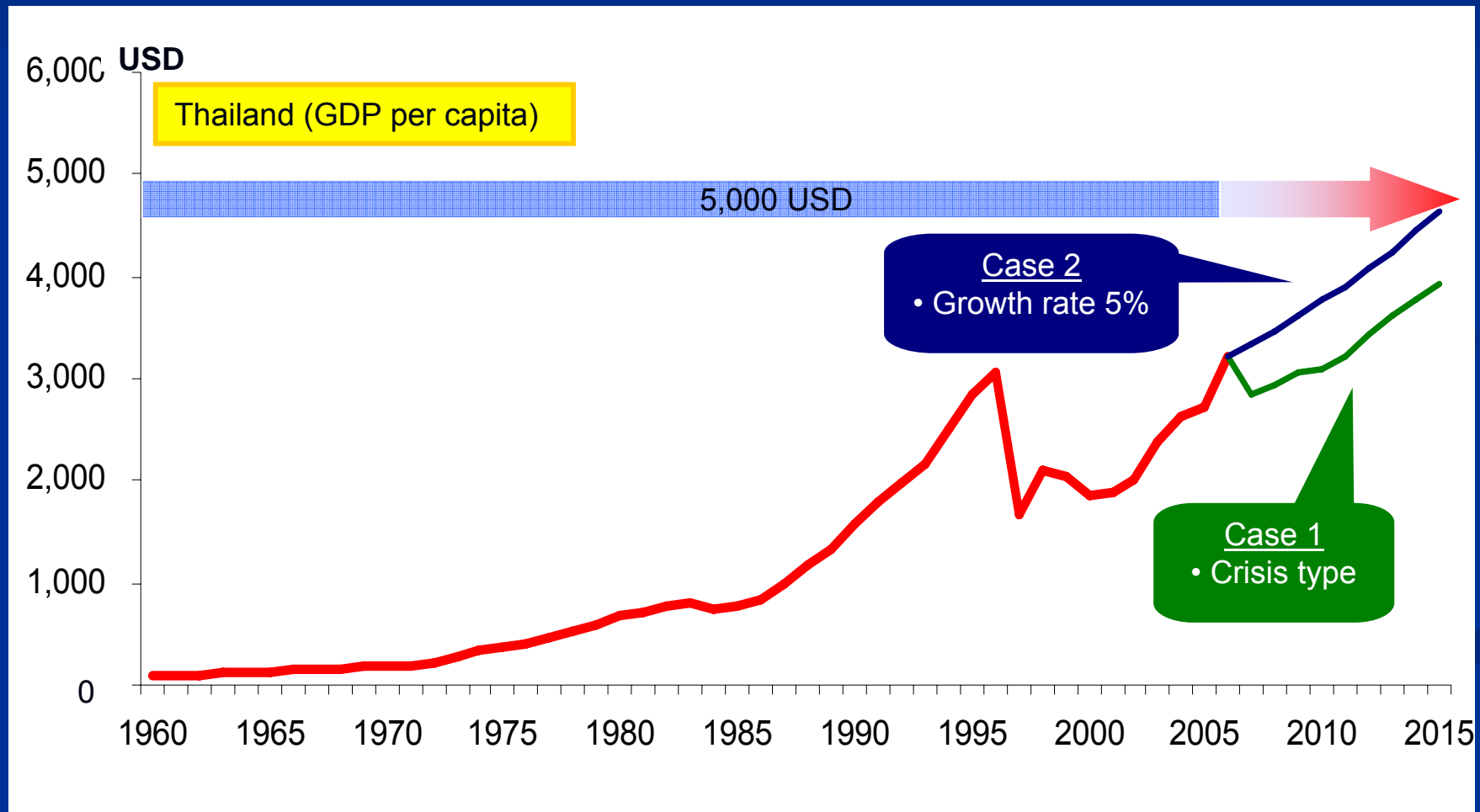
## “Middle income trap”: Struggle to climb onwards to higher income levels





**If case 1:** Mismanagement policies  $\Rightarrow$  crisis recurring

**If case 2:** Formulate and implement a new set of the **right policies** and **institutional changes**



## Globalization

Trade – finance – technology

## Global imbalance

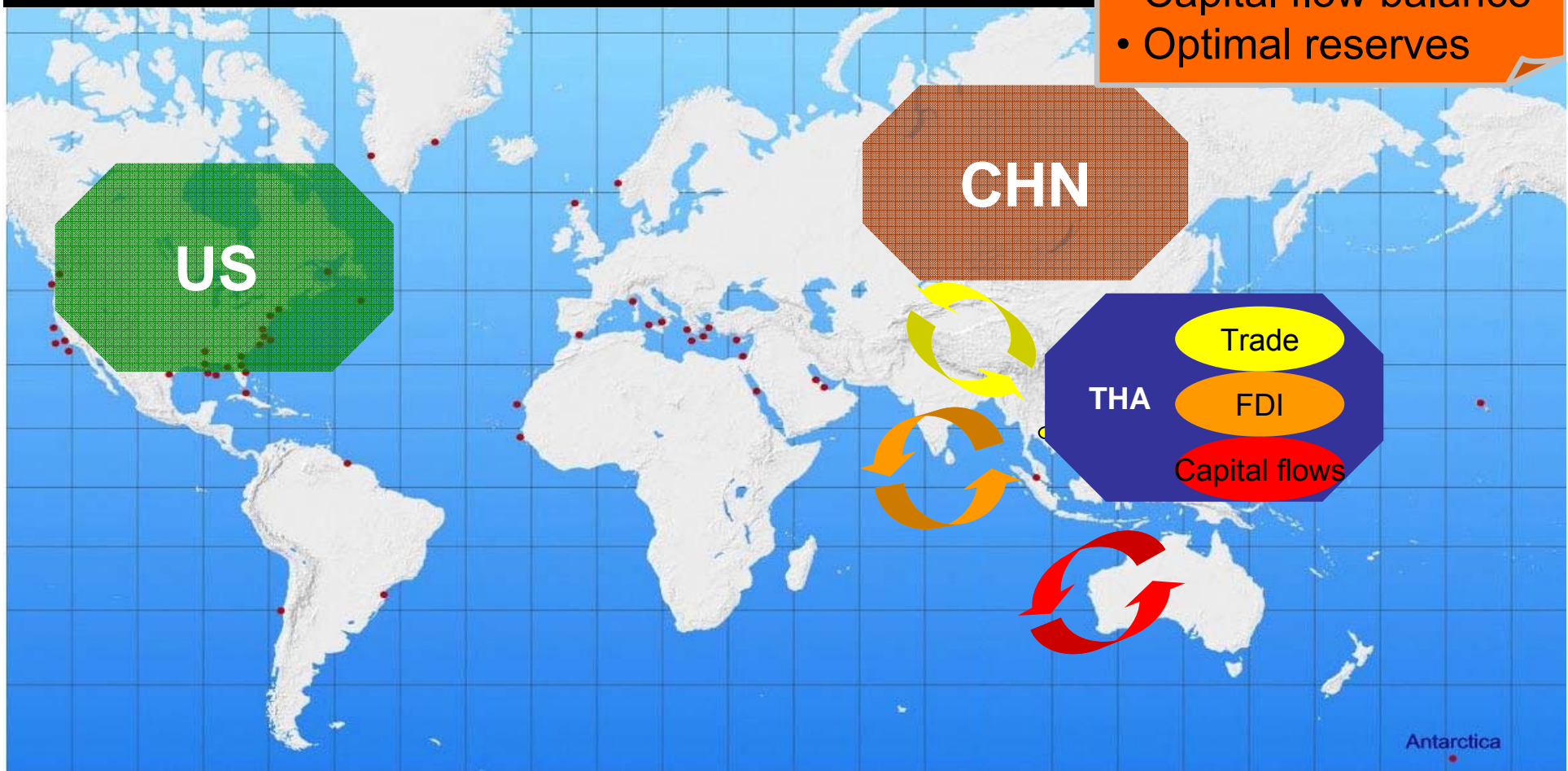
Asia - US

## ASEAN+3

China – India – Middle East

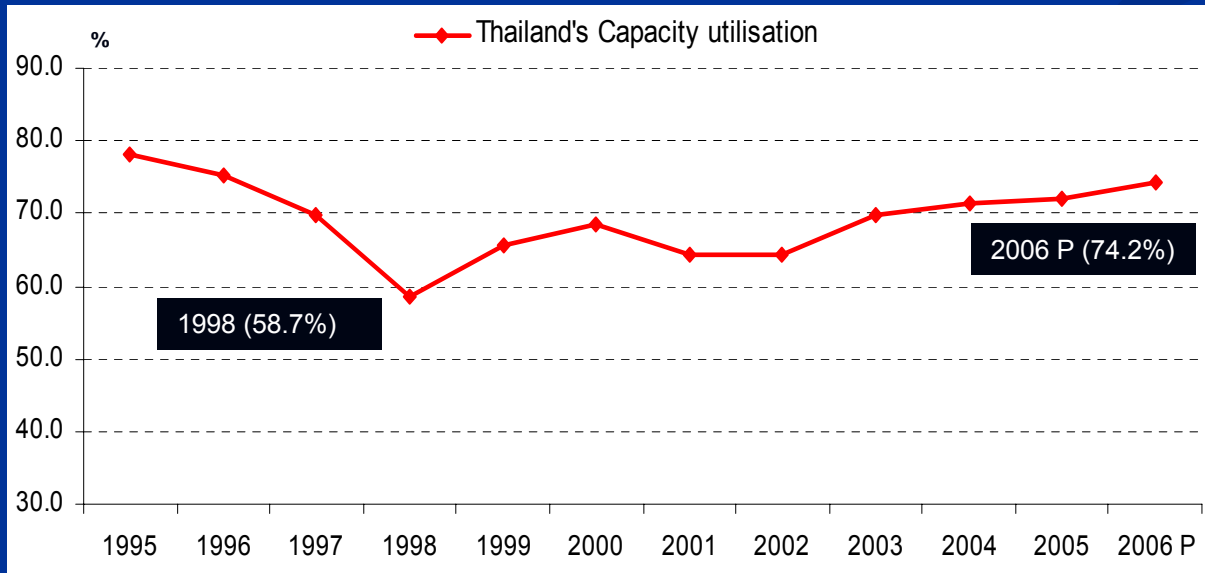
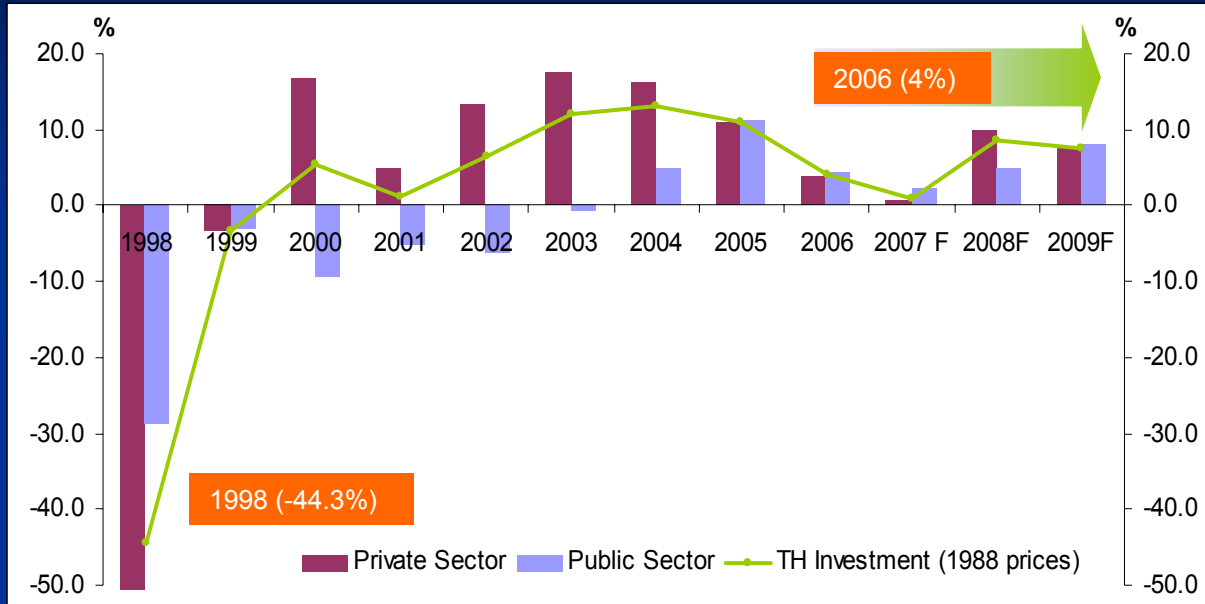
The global situation & domestic problems require a set of new development perceptions

- Trade balance
- FDI balance
- Capital flow balance
- Optimal reserves





## Policy consideration



### Infrastructure Investment

- Physical and Social
- Outward FDI

