

ABSTRACT

Thesis Title : The Political Consequences of Economic crisis in 1997
: A Comparative Study of Thailand and Malaysia
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The purposes of the research were to : (1) To study the cause of Thailand requesting for help from international organization which was different from Malaysia that handled the crisis it self. (2) To let the section that has the duty in setting up the economic policy of Thailand to arrange new strategies to serve the changes in future for the security and stability of Thailand. (3) So that society has new idea. It should let the economy lead the way. The new strategy should stress the importance on unity of society and the permanence of the environment rather than just the income measurement only.

In the case of financial crisis in Thailand which expanded to all Asian region, the causes of the problems mostly in each country are similar e.g. due to the imbalance on current account at a great amount for many years. The government gave the permission to bring in foreign exchange freely, therefore business operators in the country made the loan on foreign exchange whereby most of

the capitals brought in are short term loan but were invested in Thailand on immovable assets project which is long term investment. The investors from foreign country were not confident on Thailand and the inconfidence spreaded all over the region. The impact that followed, the income gradually left Thailand and the region. Besides, there is profit speculation on the money trading all over Asian region since it is expected that the value of money in this region shall decrease significantly. There were also problems on the imbalance of current account greatly and continuously causing the inability to pay off the loan to foreign country. The government of each country has carried out the policy so that the countries return to normal by issuing the plans and policies for stimulation on the economy within the countries. They also issued different measures so that the countries have the stability on economics and politics.

The idea to solve the problems of the two governments in the year 1997 is very different. Thailand declared the floatation on Baht and requested for assistance from International Monetary Fund to create the confidence on the investors in foreign countries which is the condition that must be done if Thailand wanted to receive the subsidy. It was followed by many impacts particularly on society. There were problems on non employment and the insolvency of the business. Many small businesses closed down. The conditions of the International Monetary Fund were that Thai government must allow the free investment and free trade whereby the business in the country had no adjustment to be able to compete and settle down. The business in the country itself still could not compete with one another. The businesses closed down and it was followed by social problems particularly problems on unemployment. The policy and different measures had no continuity because the former government did not continue the policies that are beneficial to the people. The government did not have good management or set out the strategies good enough in setting out the

economic policies particularly on Macroeconomics. This caused the instability on the political situation. There were many times of changes on the government because the government could not solve the problem of economy particularly on financial crisis in 1997.

For Malaysia, the government chose the method to solve the problem itself which was different from Thailand very much. Malaysia did not want to rely on the assistance of International Monetary Fund which would cause many problems and impacts as it happened to the case of Thailand. Malaysia issued the measurements in controlling the money strictly. The set a definite value on Ringit. The situation of the government was not stable, the Deputy Priminister who has the intention to request for assistance from International Monetary Fund was removed. If there is no economic problem seriously in Malaysia, the chance of political changes is rather difficult. The reason that Malaysian government still protects the businesses in the country without allowing freedom in investment and trade because it did not have to be under and conditions because it did not request for assistance from foreign country so that there are adjustment on the business in the country. If the economic problems were not solved, it would be the main cause of government instability.

The government in different countries that allows free trade and reserve the industry and some businesses or the expansion of the opening for free trade so that the business and the industry in the country has the free adjustment. For both cases, there are both advantages and disadvantages. If there is no free trade, there shall be no development on the business in the country. For free trade, the country shall learn technology management and what is important is that there is investment. Even though with foreign investment in the country, the industry in the country shall not be able to compete on capital, technology and investment. Industry in the country that has no preparation and adjustment must close down causing many problems on

society to follow particularly problems on unemployment. With this reason, the government shall have to choose the method of management with problems on economy so that it shall not effect the government stability or to look for the method to manage and set out the government policy. It should allow the least effect on private sector by putting emphasis on national policy and the development with center of development and the nation as the main core.