



Leadership &  
Democracy Lab

Risk Assessment Analysis

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# Political Risk Assessment Thailand's Tourism Industry Amidst the COVID-19 Pandemic

Prepared by the Leadership & Democracy Lab, University of Western Ontario

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## ABBREVIATIONS

BOT	Bank of Thailand
CAAT	Civil Aviation Authority of Thailand
CAGR	Compound Annual Growth Rate
OBOR	One Belt, One Road Initiative
STV	Special Tourist Visas
TFF	Thai Future Forward Party

# Executive Summary

As the COVID-19 pandemic continues to heavily influence various industries and sectors within nations, the tourism sector is one of the hardest to be hit. One such country experiencing detrimental effects to its tourism sector is Thailand. Thailand's tourism industry accounts for nearly 18 percent of its overall GDP, and the effects of the COVID-19 pandemic have produced several political and economic risks for this sector and the nation as a whole. This report outlines the potential risks that Thai companies and businesses within the tourism industry are likely to face due to the COVID-19 pandemic. Further, this report provides a range of mitigation strategies to aid in minimizing the effects of the identified risks. Each section of this report includes the following components:

- An overview of the risk
- A thorough evaluation and background on the risk and its impact on the tourism industry
- Proposed mitigation strategies to help minimize the risk derived as a consequence of the COVID-19 pandemic.

This report comprises of six sections:

- **Contextual Background: COVID-19 Emergence**  
An overview of the nation and its tourism sector.
- **COVID-19 Response**  
National preparedness, adaptation, and overall response to the global pandemic.
- **Military and International Risks**  
Evaluating the ongoing protests and military regime and insight into the domestic and international implications on the tourism sector.
- **Political and Legal Risks**  
Insight into the unemployment crisis and political instability resulting from anti-democratic relations between the monarchy, military, elite, and political institutions.
- **Economic and Labor Risks**  
Evaluating Thailand's currency fragility, student protests, and growing inequality between the working class and Thai elites.
- **Business and Corporate Risks**  
Forecasted second waves and final recommendations to corporations and businesses.

The COVID-19 pandemic is approaching its one-year mark; although vaccinations are underway, the tourism industry is projected to continue experiencing the pandemic's effects as outlined in this report. Outlined on the subsequent pages are identified risks and proposed mitigation strategies that the authors believe are essential for firms within Thailand's tourism sector to consider in combating the effects of the pandemic. Although our analysis's focus and scope are limited and targeted towards the tourism sector, we strongly believe that our research is further applicable to other industries within the nation as well.

# Contextual Background: Covid-19 Emergence

## Introduction to Thailand

With a growing population of over 69 million people as of 2020 and an abundance of natural beauty, Thailand is one of the world's most sought-after destinations spots.<sup>1</sup> Located in the mainland of Southeast Asia, Thailand possesses a wide array of ecosystems and shares borders with Cambodia and Myanmar. Once considered an agricultural region, Thailand has since shifted towards a tourism-focused economy following the significant influx of migrants to Bangkok – the nation's capital city.<sup>2</sup>

## Political and Economic Structure

The country was once called Siam under the rule of the Kingdom of Sukhothai until it gained its current name in 1939.<sup>3</sup> Currently, Thailand exercises a constitutional monarchy. King Maha Vajiralongkorn, the head of state, is the tenth sitting monarch as of 2016. Following a coup in 2014, current Prime Minister Prayuth Chan-Ocha came to power.<sup>4</sup>

Thailand possesses strong economic power and experiences positive growth. With a GDP of 543 billion dollars – 123 percent of which is accounted for by exports and imports.<sup>5</sup> The nation is known for its remarkable economic transition over the years and has dramatically worked on growing its economy and reducing unemployment and poverty rates.<sup>6</sup> As of 2020, the country's unemployment rate is resting at 0.7 percent and has reduced its poverty rate from 65 percent in 1988 to under 10 percent in 2018.<sup>7</sup> A potential reason behind the significant poverty reduction can be attributed to the pro-business reform that has allowed citizens to more easily

establish start-ups and its translation towards greater economic growth.<sup>8</sup> Although Thailand's political structure and economic state have undergone several changes and transitions, prior to the COVID-19 pandemic, its governmental structure has remained stable and its economy – prosperous.



Source: [Policy Forum](#)

## Tourism in Thailand

In the year 2019 alone, approximately 39 million tourists visited Thailand.<sup>9</sup> This accounted for 18 percent of the nation's overall GDP!<sup>10</sup> The substantive rate of tourism has allowed the nation's economy to prosper as a direct result, bringing in a significant capital and business. The emergence of COVID-19 critically impacted the growth that Thailand was experiencing and halted tourism altogether. The unprecedented global pandemic made it challenging to protect tourists and, in turn, led to borders closing and nation-wide lockdowns across the world.

The virus resulted in the implementation of mandatory quarantines and flight bans, ultimately leading to a collapse in Thailand's tourism sector. Considering the pandemic, Thailand expected only eight million incoming visitors in 2020 – a significant

decline from the 39 million they welcomed the year prior.<sup>11</sup> With tourism accounting for a critical portion of the nation's economy, the country has struggled to obtain feasible solutions to mitigate the decline in economic activity. The nation's small businesses – many of which heavily rely on tourism for sales – have attempted to transition to online operations yet have struggled to reach its market in profitable way.<sup>12</sup> The effects of the pandemic have left the economy in a state of recession and have contributed to the emergence of several risks. The following sections of this report will explore these risks, their impact on the nation, and propose contingency strategies to reduce their effects.



Covid-19 in Thailand. Source: [CTV News](#)

# Covid-19 Response

Generally speaking, the Thai government's COVID-19 response plays a significant role in the collapse of the tourism and hospitality sectors. Therefore, it is critical to evaluate the state of their healthcare and research sectors by examining how funded and established they were to decipher whether or not Thailand was equipped to handle a global pandemic. The implications of governmental policies, including political protests, will also be mentioned within this section to allow for greater analysis and understanding of how Thailand's political and economic structures played a role in the COVID-19 policies that were implemented.

## Thailand's Preparedness and Initial Adaptation

Thailand is ranked sixth in the world per the Global Health Security Index, indicating that the nation was in a very solid and well-prepared position to handle a health crisis.<sup>13</sup> The country also maintains a robust public health infrastructure despite any potential distrust in its political authorities. The Thai government did not hesitate once

they first heard about the virus breakout, as they rapidly began screening passengers arriving from China as early as January of 2020.<sup>14</sup> A state of emergency was later implemented at the beginning of March. With a 39 percent growth in infection rates between the 14th and 15th, the Ministry of Public Health officially declared COVID-19 as a pandemic disease in Thailand.<sup>15</sup> This declaration was followed by strict crowd control restrictions in department stores, restaurants, etc. International travellers were required to self-isolate or quarantine in government facilities upon arrival. Over one million Village Health Volunteers monitored people's movements, educated community members on COVID-19 prevention, and promoted health information to health offices.<sup>16</sup> Thailand also banned all incoming passenger flights on April 4th in an attempt to prevent an increase in infection rates within the country.<sup>17</sup> To further prevent large-scale transmissions of the virus, social distancing measures were introduced, and work-from-home orders were implemented across the nation to minimize citizens' interactions.<sup>18</sup>

Moreover, the Thai government imposed the National Emergency Decree on March 26th, 2020, which took effect until April 30th, 2020.<sup>19</sup> Control measures such as travel restrictions, public gathering bans, and the closure of risk transmission areas occurred, while food markets, essential stores, pharmacies, banks, hospitals, and government offices remained open. On April 3rd, 2020, the government further imposed a national curfew between the hours of 22:00 and 4:00.<sup>20</sup>

## Response Strategy

Studies have indicated that the low rates of infection in Thailand can be largely attributed to their collectivist culture and the overall high degree of compliance exercised by its citizens and corporations. Between February 7th and 21st, COVID-19 cases increased by 10, and researchers found that citizens' anxiety increased simultaneously during this period – potentially explaining the higher levels of compliance following.<sup>21</sup> Researchers also found that government communication campaigns were highly effective, with respondents indicating that they were aware of the key symptoms of COVID-19.<sup>22</sup> Anxiety among youth citizens was largely due to concern about family members and friends contracting the virus, highlighting a strong collectivist culture within the population.<sup>23</sup>

Certain regions with higher densities implemented additional regulations, such as the Bangkok Metropolitan Administrative, which acted quickly to control crowd sizes as early as March 22nd.<sup>24</sup> Due to these restrictions, many workers in large cities returned to their residential cities or countries, resulting in a transmission of the disease from large cities to neighbouring countries or regions; as a result of this rapid spreading, the Thai Government enforced another state of emergency on April 3rd, 2020, and cancelled Thai New Year celebrations.<sup>25</sup> The decision to cancel these celebrations reflected the government's awareness and knowledge that they needed to act quickly to curb the virus's spread.

The increase in COVID-19 cases and subsequent lockdowns led to the tourism industry, which had accounted for nearly one-fifth of the nation's GDP, being severely impacted. Between January and March of 2020, Thailand experienced a decrease in foreign tourists by 38 percent, with Chinese tourists decreasing by 60 percent.<sup>26</sup> With the tourism sector comprising a significant portion of the Thai economy, how the industry recovers will largely depend upon global cooperation and whether the pandemic is kept under control in the coming year.

# Military and International Risks

With a history of political protests dating back as far as 2005, it is without question that the country's military and political state played a role in its COVID-19 response and contributed towards the effects it had on the tourism industry. This section will evaluate the ongoing protests and military regime in Thailand and provide greater insight into the domestic and international implications they have placed on the tourism and hospitality sectors.

This optimism was followed by the emergence of the Thai Future Forward Party (TFF), a pro-democracy party popular among many of the nation's youth and disenfranchised citizens. However, the nomination and appointment of Chan-Ocha, and reassertion of military bureaucracy led to the ban of the TFF. In the early stages of the pandemic in February 2020, Thailand's "Red Shirt" movement – this time spearheaded by students – was ignited once more as thousands of citizens took to the streets to protest.

## Thai Protests and the Military

Recently in 2019, an election marred by a largely military-appointed Senate elected ex-army general Prayuth Chan-Ocha to office – to the dismay of many Thai citizens who were yearning for change.

While Thailand has fared comparatively well with the COVID-19 restrictions and quarantine measures in place for international arrivals, the pandemic crippled its tourism sector that employed one in five Thais. In addition to a wide array of anti-monarchy sentiments and demands for reform across the nation, the lack of international tourism has only



Red shirt movement in 2011. Source: [FP News](#)

fueled economic-based grievances – as a third of Thai tourism businesses wholly shut down. Social unrest and political uncertainty have also raised significant concerns among public officials regarding the tourism sector’s recovery. Chairat Tirrattanajarasorn, President of the Tourism Council, has urged the government to “engage in further dialogue” with protestors. Simultaneously, the Bank of Thailand governor, Settaput Suthiwar-Nareuput, has indicated low consumer confidence may further hamper the industry altogether.<sup>27</sup>

## Risk Assessment

The political risk that the tourism industry faces is intertwined with the government’s economic response plan to the pandemic. Equally, the military-led regime must also address the social unrest that threatens its relative political stability. While another coup is likely off the table given the “close ties between the government and the military,” the tension between socioeconomically divided voters – the rural poor and the urban upper and middle class – still threatens a coalition government representing different constituencies.<sup>28</sup>

Regarding the tourism sector’s recovery, engaging with the protestors should be paramount to ensure stable social and political conditions for the reintroduction of international tourism. If the response is inadequate and protests continue, neighboring countries like Vietnam and Cambodia could have a competitive advantage when global tourism recovers.<sup>29</sup> As it stands, the governments’ ruthless lese majeste laws, and media censorship have seen 41 people arrested for criticism of the monarchy alone, indicating that a more sustainable approach to addressing the pro-democracy movement is needed to quell hostilities.<sup>30</sup> Furthermore, the ban on gatherings in Bangkok coupled with the detention of demonstrators could affect tourism in the capital city. However, a key aspect to consider for Thailand in addressing the protests is the extent of economic reforms.<sup>31</sup> Despite boasting a ‘business-friendly environment,’ the current unrest may result in a greater emphasis on social stability than substantial economic reforms. The fiscal stimulus that is directed at low-income groups is critical for recovery and

appeasing groups of demonstrators, but it is important to note that heavy government expenditure as a share of GDP ‘risks crowding out the private sector.’

Any mitigation strategy implemented must highlight the pivotality that policymakers strike a balance between political concessions and the economic response as tourism will continue to struggle for 2021. A two-pronged approach that combines both a social and economic response could be greater public spending allocated directly to the tourism sector and rural works, many of whom have been forced back to their farms following the halt of tourism work.<sup>32</sup> This could work to bring back jobs and reopen businesses at the local level. Seeing as early elections or a direct return to a military junta are unlikely, a viable option for the government is to weather the protests – i.e., maintaining the status quo – without enacting any political reform. The possibility of satisfying protestors through political change – particularly amidst a pandemic – is relatively low; therefore, the public sector should shift its concentration towards economic recovery. By focusing their efforts on the economy, fiscal support would be instrumental in appealing to a financially drained population while fragmenting large sections of protestors.<sup>33</sup> This scenario could effectively diminish the scale of protests, facilitating a necessary government-led economic response to revive tourism as the year progresses and crucially regenerating employment in this sector.

## Domestic and International Tourism

### International Tourism:

Following global trends, international tourism in Thailand collapsed at the onset of the virus. The country welcomed 6.7 million visitors in 2020, an 83 percent drop from the 39.9 million it received the previous year.<sup>34</sup> The sharp decline stems from the Civil Aviation Authority of Thailand (CAAT) international flight ban imposed between April 6 and June 30, 2020, as a means to combat the spread of COVID-19.<sup>35</sup> While the CAAT relaxed its restrictions, the arrival of foreign tourists remained prohibited

until October when the Special Tourist Visas (STV) program was created to allow arrivals from low risk-countries. Successful applicants are afforded 90-day stays that can be renewed twice but must fit the Thai government's strict criteria. The strict conditions were recently expanded in December to include tourists from all nations, regardless of their countries' COVID-19 circumstances.<sup>36</sup> However, few have taken advantage of this opportunity, with foreign arrivals in December totaling a meager 6,000 visitors.<sup>37</sup> Additionally, accounts of foreigners violating COVID-19 regulations may force authorities into continuing to strengthen restrictions.<sup>38</sup> Government authorities recently announced that tourism free of mandatory quarantine periods and other stringent regulations would not occur until a vaccine has been distributed.<sup>39</sup> While initiatives such as the STV are positive steps towards supporting the tourism industry, heavy regulations on foreign arrivals will prevent a recovery. Without a large-scale increase in tourists, the industry is at high risk of suffering a complete collapse.

## Domestic:

The Government of Thailand has attempted to encourage domestic tourism to support local businesses amid the collapse of foreign arrivals. Due to the strict, no-tolerance policy of banning non-essential travel between April and October 2020, authorities passed three stimulus packages to encourage local travel. The most extensive package, known as "Travelling Together," accounted for nearly five million dollars worth of hotel accommodation subsidized at 40 percent.<sup>40</sup> The remaining initiatives aimed to drive down air travel costs by up to 50 percent and provide health care workers with a travel fund. In addition to stimulating market demand for airlines, authorities suspended fuel taxes on domestic flights to further encourage local tourism. The series of stimulus packages implemented led to a 56 percent increase in domestic air travel between June and July; levels remained at around 70 percent of pre-pandemic figures. Additionally, hotel occupancy reached 25.5 percent in November, increasing from the low of 7.8 percent set in April.<sup>41</sup> Notably, fly-to markets such as Chiang Mai and Hua Hin are recovering at a markedly faster rate than drive-to

markets; Hua Hin reached 82 percent occupancy on November 28.<sup>42</sup> However, a recent second wave of infections may dampen the current recovery as citizens will be more averse to travel, and authorities could implement stricter regulations. Moreover, the previous set of stimulus packages expired in December of 2020, leaving various tourism industry sectors without further support. Without a continuation of government support and intervention, previous gains are at risk of being lost, causing further damage to the already-weak tourism sector.

## Proposed Mitigation Strategy

Authorities should consider safely reopening the country to international tourists as soon as possible. Simply put, businesses will not be able to fully recover without an increase in foreign tourism. Creating travel bubbles with neighboring countries to allow for tourism free of mandatory quarantine periods would be a suitable first step towards providing support. The current 14-day regulation discourages foreign tourists; removing it for visitors from countries with stable COVID-19 situations would permit greater arrivals. Thailand should approach China and member states of the Association of Southeast Asian Nations (ASEAN) as visitors from these nations accounted for over half of foreign arrivals in 2019. Given the proximity and controlled virus spread in said nations, a travel bubble would be a sensible policy that provides relief to the beleaguered tourism sector without a considerable health risk. Domestically, it has been shown that the government's previous stimulus packages encouraged Thai citizens into travel to major domestic hotspots. Additionally, early returns from the program saw accelerated recoveries for several sectors of the industry. In light of this, the government should provide another series of subsidies to continue the strong growth seen in the latter half of 2020. Through travel bubbles and domestic subsidies, authorities give the hospitality industry ample support to continue the gradual recovery without risking the sector's collapse.

# Political & Legal Risks

Generally speaking, political risk refers to the “risk to business interests resulting from political instability or political change.”<sup>43</sup> It is affected by a multitude of factors, ranging from domestic policy changes to changing tariffs and international trade policies to events such as war, revolution, terrorism, and civil protests. However, it should be noted that political risk from post-World War II until the present day has become enormously more complex due to the multitude of external players; individuals with access to arms can instantaneously add risk, International Governmental Organizations can implement international sanctions, which can destroy entire economies, and the greater occurrence of cyber-attacks within corporate and political espionage.<sup>44</sup>

Thailand has had investors increasingly concerned by the rise of political risk in the country and the region as a whole. In July, Thailand began to experience significant internal turmoil when student-led protests began with the demand for Prime Minister Chan-Ocha’s government to resign, and for the more conservative Thais, there have been calls to limit the powers of King Maha Vajiralongkorn.<sup>45</sup> About 7.8 billion dollars flowed out of Thai stocks by the end of August, and another 2.3 billion dollars out of bonds.<sup>46</sup> Of greater concern, the Eurasia group has recently developed a negative outlook on Thailand due to a ‘worsening political divide and reform outlook.’ The political consultancy assigned a 35 percent probability to the risk that the protests would spiral out of control and end in Chan-Ocha’s ousting.<sup>47</sup>

## Risk Assessment

### The Effects of Unemployment and COVID-19:

As a result of growing unemployment caused by the pandemic and its ensuing lockdowns, Thailand, and other tourism-dependent countries, are increasingly destabilized. Unemployment within the industry is predicted to grow to as many as two million people within this quarter even after the lockdowns have ceased.<sup>48</sup> Thailand, in particular, has had two multiweek lockdowns corresponding with the two large waves of COVID-19; to further exacerbate the situation, industry experts predict no recovery for at least two years as foreign tourists are not expected to return in large numbers until the last quarter of 2021.<sup>49</sup>

High levels of unemployment combined with the domestic political clashes in recent months are a point of concern when assessing risks. As previously mentioned, Thailand has since 2004 generally acted in exception of the general peace trend within Southeast Asia, within numerous violent political incidents in Bangkok and other parts of the country.<sup>50</sup> This political tension, combined with supply chain challenges, farmers experiencing the worst drought in four decades, factories firing workers within all industries causing a decline in demand, and GDP contracting by an estimated 6.6 percent, would be devastating for the nation.<sup>51</sup>

### Anti-Democratic Systems and Relationships between Institutions:

Prior to King Maha Vajiralongkorn’s ascension to the throne, Thailand has had about a dozen

coups since the abolishment of its absolute monarchy, with protestors demanding the military and monarchy be held more accountable to citizens; part of Thailand's political instability is inherently rooted in the military and royal family's role in government even after becoming a constitutional monarchy.<sup>52</sup> The military coup of 2006 and overthrowing of Prime Minister Thaksin Shinawatra was one of the largest political insurrections within Thai history, as his overthrow has since furthered an anti-monarchy reaction in many citizens.<sup>53</sup> This sentiment has been the backbone of the democratic movement in the post-colonial environment that other south-east Asian nations have struggled with during their decolonization process. Protestors clad in red shirts who were initially demonstrating against coups were transformed into a grassroots social mass movement with a decentralized leadership structure as a result of this general sentiment, with demands for the respect of the outcome of elections and a clearly defined role of the Thai military to be deferential to citizen control.<sup>54</sup>

The current political instability, history of coups, and integration of the military and monarchy within political institutions raise further questions on the government's legitimacy, creating never before seen resentment for traditional institutions.<sup>55</sup> Most recently, United Nations human rights experts spoke out against Thailand's increased usage of the lese majestic law – a law forbidding criticism of its royal family –, after its reintroduction following its 2018 ban.<sup>56</sup> Many are concerned that Prime Minister Chan-Ocha's usage of the law has been primarily against the largely student-organized protests and other political dissenters.<sup>57</sup>

Besides the lese majestic law, other political protests have been "charged with sedition and engaging in an act of violence against the queen's liberty, an obscure section of the criminal code that could mean life imprisonment for offenders."<sup>58</sup> Last fall, the government went so far as to institute a state of emergency to quell anti-government protests in the guise of coronavirus protection.<sup>59</sup> Even prior to the fall during the most serious protests, Thai citizens were already expressing revulsion and concern when the bodies of three Thai dissidents who had fled the country for fear of retaliation were found on the banks of the Mekong River, with their

limbs found and bellies filled with concrete.<sup>60</sup>

## Proposed Mitigation Strategies

Fundamentally speaking, the political tension within Thailand is a problem that cannot be resolved in the short or long term without drastic changes to the culture of political leadership within the country. With the overarching power, the monarchy and the military continue to have over the country's political and judicial systems, it is hard to reconcile the power imbalance between the country's elites and citizens. Unfortunately, the covid-19 pandemic has only exacerbated the situation by placing the citizens living on the bottom-line into greater financial duress, meaning that the existing financial gap will only continue to widen. That being said, political tension in the context of tourism can somewhat be managed by trusting and investing in management staff who are cognizant and socially aware of the current lack of trust in political institutions. Because political tension is the basis of the majority of existing instability in the country prior to the pandemic, mitigating political risk as a whole is impossible. By engaging genuinely with ordinary citizens who are most at-risk and passionate advocates for this political change, tourist companies will be able to better understand when and where key areas will be at risk for protests or revolts. This knowledge can help to reduce the potential damage and risk created by political unrest and protests.

# Economic & Labor Risks

The majority of Thailand's 550 billion dollar economy is driven primarily by auto-parts and electronics manufacturing exports and its tourism sector.<sup>61</sup> While the nation's economy is considered an ASEAN success story, its economy has stagnated over the last few years and is beginning to lack its Southeast Asian peers' dynamism.<sup>62</sup> This decline can be traced to a myriad of factors, including a sol-



An assembly line in Bangkok.  
Source: [The Wall Street Journal](#)

## Risk Assessment

### Currency Fragility:

The Thai baht has been a security source for risk-averse investors, with the currency praised as the strongest performing emerging markets currency in Asia since 2018 with an annual eight percent compounded annual growth rate against the US dollar. Analysts attribute the baht's performance to two key factors – a rising current account surplus

bolstering foreign reserves and a hawkish central bank.<sup>64</sup> This led to rising capital inflows, casting the baht as a regional haven with sustained growth despite the Kingdom's political instability. The Bank of Thailand continued its path, reasoning that a stronger baht would benefit Thai importers and help the indebted companies pay off foreign currency debt while starving off fears of repeating a crisis like the 1997 Asian Financial Crisis.

In Thailand's case, a robust domestic currency is illusory and masks the rising threats to Thailand's economy. With sustained growth, speculative inflows triggered central bank intervention to head off any threats posed to manufacturing. Despite this, however, the BOT's activities led to the US Treasury Department labelling Thailand as a currency manipulator, raising the risk of US imposed sanctions.<sup>65</sup> What can be assured of unabated rising currency is weak exports. As Thailand's manufacturing industry competes with an emerging Vietnam and Indonesia in ASEAN, a rising baht is imperative for export growth.

Arguably, the most alarming aspect of Thailand's currency woes is what COVID-19 and the rising baht have masked. Upon closer scrutiny, the baht's rise was not driven by secular appreciation. Rather, in the aftermath of the 2014 coup, foreign investors recognized the inherent risk in investing in a country with tumultuous politics. Without stagnant investment, particularly in long-term bonds, the military junta propped up the baht by selling off reserves, thereby artificially boosting an otherwise stagnant currency. While Thailand did attract significant investment since then, most of it came from China, which, compared to European or American nations is not a credible risk averse investor.<sup>66</sup> Furthermore, these factors in conjunction have resulted

in the weakening of a record high trade surplus of 4.9 billion dollars in 2016 to a trade deficit of -1.18 billion dollars in 2018. As manufacturing exports have declined, Thailand has pivoted towards tourism, which – prior to the pandemic – accounted for over a fifth of their economy. However, as COVID-19 lockdowns persist and China's economy slows, the Thai economy is poised for severe shocks. Lastly, the commencement of multiple flagship infrastructure projects such as a high-speed railway as part of the Chinese Belt and Road initiative risks exacerbating Thailand's debt obligations.<sup>67</sup> OBOR projects are publicly financed, therefore, straining government coffers.<sup>68</sup> As Thailand battles an economic recession from the pandemic and a debt load rising from 41.1 percent in 2019 to 50.4 percent in 2020, and a projected 56 percent by 2021, the twin shocks of a tourism slump and sharp rise in debt is increasingly threatening the prospects of a quick return to pre-pandemic growth levels.<sup>69</sup>

## The Effects of Student Protests:

A significant challenge for Thailand is the political uncertainty surrounding the nation's governance. As mentioned previously, the 2014 coup overthrew the civilian caretaker government and installed a military junta, and led to drastic restrictions surrounding political expression and greater inequality between working-class Thais and the politically connected elites.<sup>70</sup> The National Council for Peace and Order, led by the Thai army's chief, held partially free elections in 2019. While an army-backed party won, the opposition party supported by progressives and students was then formally dissolved by a unique constitutional court in 2020, sparking the protests that have been raging despite the current pandemic.

While protests are a regional mainstay across Southeast Asia, Thailand's protests are unnerving investors, given the country's past. In 2008, protestors stormed Bangkok's Suvarnabhumi airport.<sup>71</sup> Similarly, in 2010, protestors burnt down Central World, a Bangkok megamall that served as the flagship of Thailand's largest retailer, and lit the Thai stock exchange on fire, leading to a power outage for days.<sup>72</sup> Such events pose as a severe threat to business operations and deter investors when they inevitably flare up. While the student protests have

largely died down since last fall, they risk flaring again as the Thai government currently implements a sweeping crackdown, no doubt exacerbating civil unrest.<sup>73</sup> With labour-intensive industries such as manufacturing often being a victim of worker strikes and protests, foreign investment flows might be re-considered for ASEAN neighbors such as Vietnam.

While the pandemic pushed several healthy countries past the brink into a recession, Thailand was unique in that it faced structural issues prior to the pandemic-induced recession. The coup had directly effectuated anemic growth in 2014, with stagnancy in 2015.<sup>74</sup> While growth picked up in subsequent years, 2019 was also a weak year experiencing the lowest increase since 2014. Thus, Thailand lacked the financial firepower of its peers to address the pandemic. Furthermore, the nation is heavily dependent on demand-prone industries as a source of employment and growth. Tourism in Thailand is valued at nearly \$110 billion, whereas sectors such as auto manufacturing employ over 417 000 people directly.<sup>75</sup>

## Proposed Mitigation Strategy

COVID-19, complemented by the surge in political discontent over democratic suppression stemming from an opposition party in February 2020, poses challenges for Thailand's broader economy and its tourism sector. Rising discontent over the profligate royal family breaks previously sacrosanct taboos, such as criticism about the royal family, which is increasingly becoming mainstream.<sup>76</sup> As protests led primarily by youth spillover from campuses into the public realm, Thailand's image as a haven for tourists is threatened in the short term. With tourism and auto manufacturing unlikely to benefit of any immediate economic rebound as consumer spending slumps due to the pandemic, Thailand is poised for further stagnation. With rising political discontent and economic competition from emerging manufacturing hubs such as Vietnam, the economic outlook is bleak.

Thailand's oft-touted unemployment rate is further emblematic of how economic data masks stagnation. With an unemployment rate below 1% and healthy labour force participation, Thailand's

economy would normally be celebrated for driving inclusive growth.<sup>77</sup> However, this conceals the fact that a sparse social safety net has forced people to work in a country where state assistance is minimal. With a demographic crisis looming, Thailand's primary concern is not a full-blown debt crisis but rather abysmal growth prospects.<sup>78</sup> Without a spike in international consumer spending to sustain order books for automakers and raise tourism levels, Thailand risks condemning itself to anemic growth and broad social discontent at a period when reform is crucial.

# Corporate Risks

With the prolonged uncertainty of the pandemic, Thailand has continued to suffer mass economic losses due to the tourism sector's evaporation. In response to these losses, the Thai cabinet continues to reinstate necessary emergency statuses to prevent the further spread of the virus. However, the pandemic has since revealed a second-level problem for the nation, the indication that their government may be fundamentally corrupt, leading to an inability to combat the effects of the virus long-term effectively. Was Thailand lucky in 2020, or has the government collapsed in 2021?

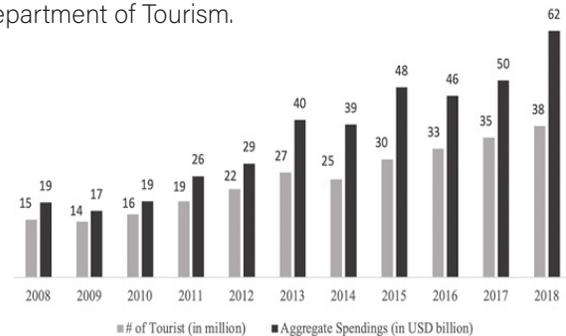
## Risk Assessment

### Tourism Industry Before the Pandemic:

Prior to COVID-19, Thailand served as one of the most popular international travelling destinations worldwide. Bangkok, which represented over 60 percent of the nation's tourism spending, had consecutively ranked first as the most popular destination from 2005 to 2019, according to Mastercard's Global Destination Cities Index (See Exhibit 1).<sup>79</sup> The prosperity of Thailand's tourism sector had steadily increased since 2008, at a rate of 8.5 percent compound annual growth rate (CAGR) (see Exhibit 2).<sup>80</sup>

The reason behind that spans four-fold. Firstly, Thailand – being centric on Asia-Pacific regions – has introduced great accessibility from neighboring countries like Japan, Taiwan, China, Singapore, etc. Secondly, the sizable influx of Asia-Pacific international travellers growing at 9.4 percent CAGR since 2009, compared to Europe's international travellers growing at 5.5 percent.<sup>81</sup> Thirdly, Thailand possesses a strong cultural ideology, with a significant variety of cultural dishes, ancient temples, and festivals. Lastly, Thailand's currency is considerably cheap. With minimum wage and average housing found to be approximately a third of the US, commodities and services are relatively economical for foreigners. These factors have all contributed to Thailand's success as a global destination.

**Exhibit 2:** Pre-COVID-19 International Travel Spending's. Department of Tourism.



**Exhibit 1:** Pre-COVID-19 International Travel Spending's. Top City Rankings (Mastercard).

	2018 Int. Visitors	Growth Forecast 19'	Length of Stay	Average Spend Per Day
Bangkok	22.78	3.34%	4.8	\$184
Paris	19.1	2.24%	2.5	\$296
London	19.09	3.47%	5.8	\$148
Dubai	15.93	1.68%	3.5	\$553
Singapore	14.67	4.00%	4.2	\$272
Malaysia	13.79	9.87%	5.7	\$142
New York	13.6	2.94%	7.9	\$152
Istanbul	13.4	8.14%	5.8	\$106
Tokyo	12.93	10.02%	5.4	\$196
Turkey	12.41	8.14%	14	\$44

	2018 Int. Spend	Growth Forecast 19'	Average Spend Per Day
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London	14.67	4.00%	\$272
New York	13.79	9.87%	\$142
Paris	13.6	2.94%	\$152
Tokyo	13.4	8.14%	\$106
Palma, Spain	12.93	10.02%	\$196
Phukey, Thailand	12.41	8.14%	\$44

Economic Protection Categories	Descriptive Summary
Soft Loans	The stimulus includes 150 billion baht of soft loans at 2 per cent interest rates, plus another 30 billion baht of lending from the security fund at a rate of 3 per cent
Fund	The government will set up a 20 billion baht fund to help firms or workers affected by the coronavirus outbreak, and will exempt import duties on materials for making face masks
Tax Benefits	Withholding taxes for businesses will be reduced to 1.5 per cent from 3.0 per cent, and they will be offered 1.5 times tax deductions on interest rates, and three times tax deductions on wage expenses

Social Protection Categories	Core COVID-19 Measure	Descriptive Summary
Universal Assistance	Cash Transfer Program	Cash transfer of 5,000 Baht (\$153 USD) for 3-month for program registrants (21.7 million eligible registrants)
	Social Security Contribution	Reduce the rate of contributions to the social security fund of employers and employees from 5% to 0.1% of wages for 3 months
Partial Assistance	Unemployed Insurance	Workers covered by the government Social Security Fund (SSF) received increased unemployment benefits up to 50% salaries
	Health Insurance Benefits	Thai Social Security Office will cover all medical costs associated with COVID-19 treatments, also reducing health insurance premiums deductions from 15,000 Bahts to 25,000 Bahts
Labour Market	Wage Subsidies	Small Medium Enterprise could apply for subsidies up to 15,000 bahts/person/month, with conditions of maintaining same level of employment during the period

## Measured Impact on Tourism Sector:

Throughout the virus's progression, government agencies were tasked with observing and implementing suitable solutions at all stages of the pandemic to limit its effects. The degree of damage caused by the pandemic varied from nation to nation, as it depended on several factors, including government stringency, economic priorities, and the concentration of service/industrial activities. Over the course of 2020, the tourism sector lost nearly 460 billion dollars.<sup>82</sup> Within the first six months of the pandemic, the Thai government had combated the outbreak considerably well. However, it is critical to note that as regulations begin to be lifted and a second-wave outbreak is found in many regions across the world, Thailand has, in turn, suffered a dramatic increase in cases, with a total case count of 21,249 by February 2021.<sup>83</sup> With tourism activities grounded to a halt as a result (See Exhibit 3), key players in the tourism supply chain such as hotel chains, airlines, cruise carriers, etc. have been impacted.<sup>84</sup> In response, Chan-Ocha has insisted that the virus be dealt with first, prior to opening up discussions on the tourism sector's recovery strategy. According to the Thai Ministry of Tourism and Sports, the cease in hotel and travel destination operations has caused a 40 percent decline in tourism revenue figures from 335 billion baht to 222 billion baht. The significant decline in international visitors has resulted in direct reductions to Thailand's major markets, China (-64 percent), Russia (-7.2 percent), United Kingdom (-26.3 percent), Malaysia (-36.5 percent), and Japan (-34 percent) as well.<sup>85</sup>

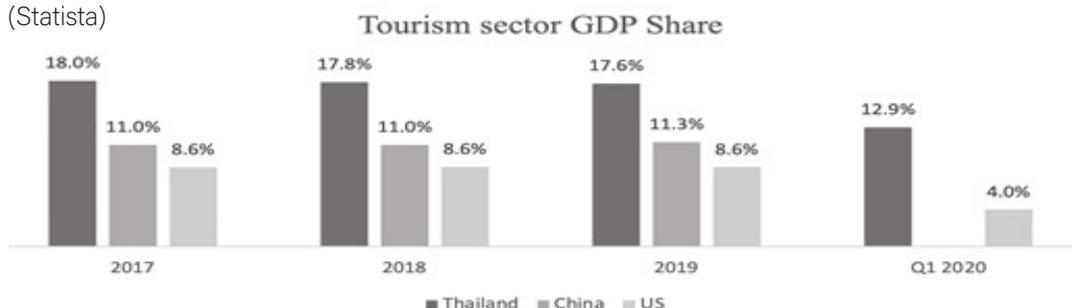
## Proposed Mitigation Strategy

To cope with economic damages, the Thai authorities have imposed a 12.7-billion-dollar stim

ulus package in the forms of soft loans, conditional grants, and tax benefits to individuals affected by the outbreak (See Exhibit 4).<sup>86</sup> In addition to these fiscal measures, the government has also dropped its interest rate from 1.25 percent to 0.5 percent to encourage lending and local expenditures.

As previously mentioned, the government has introduced a 22-billion-dollar subsidy fund titled "We Travel Together", to incentivise domestic travel to aid the tourism sector.<sup>87</sup> As of February 2021, nearly 4.6 million registrations have been received, and one percent of the trips have taken place.<sup>88</sup> In May of 2020, Chan-Ocha highlighted to the United Nations that Thailand's three key priorities are: (1) increase health system preparedness, (2) minimize economic impact, (3) change the way natural resources are consumed and limit activities that harm the environment.<sup>89</sup> A strong sentiment towards environmental sustainability was displayed, and it could be foresight that the tourism sector in Thailand may not recover to its previous state, as it is currently no longer a main priority for the government. Tourism has been viewed as a value-destroying sector from an environmental standpoint, however, the impact that this new agenda has on tourists' preferences remains ambiguous and subject to changes in mass travelling criteria.

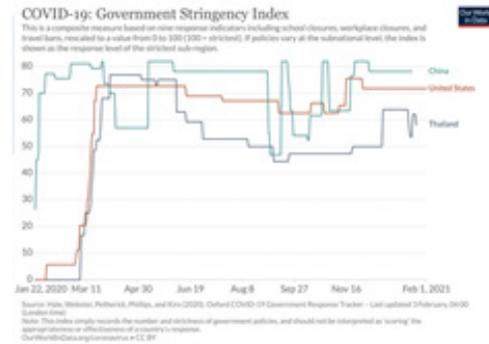
**Exhibit 3:** Tourism as a % of CGP. Comparison between China, the United States and Thailand. (Statista)



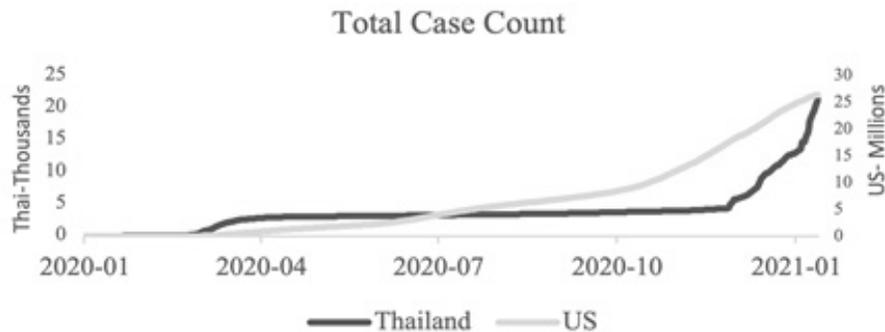
## Forecasted Second Waves:

As of November 2020, a new wave of COVID-19 infections has emerged, and cumulative cases have more than doubled (See Exhibit 5). This can, in part, be attributed to the influx of migrant workers in the area of Samut Sakhon. This province is the centre of the country's thriving seafood export industry.<sup>90</sup> The new wave of infections highlighted two significant issues for the Thai government: (1) an inability to travel and restrict illegal migrations, (2) an inability to hold regulations due to corruption between the police force and illegal business owners (See Exhibit 6).<sup>91</sup> This has been found to expose a negative side of Thailand, one that many believe to be an intersection of corruption, government incompetence, and a lack of vision at the expense of public health.<sup>92</sup> With the Thai government supporting the notion that the monarchy is to be forward and center and that authorities should utilize military influence to weaken oppositions, this has led to the intensification of the ongoing youth protests. As a result, the long-fueled political tension will be further magnified as the authorities continue to showcase an inability to combat the pandemic by controlling the influx of migrant workers and withhold fiscal support without the use of corruption. Given that the tourism industry's prosperity is reliant on the economy's ability to effectively combat COVID-19, the continuation of increasing case counts will further stump the recovery of the tourism sector. In an attempt to combat not only the pandemic but its effects on the tourism sector and the economy as a whole, the Thai government will need to commit to working through the internal political instability and arrive at a suitable solution to the ongoing protests which make it increasingly difficult for the economy to rebuild itself.

**Exhibit 6:** Oxford COVID-19 Government Response Tracker



**Exhibit 5:** COVID-19 Tracker Record from the United States and Thailand. (Worldometer.)





# Appendix

## COUNTRY INFORMATION

### Location

Thailand is currently located in Southeast Asia. It is bordered by the Gulf of Thailand, Cambodia and Laos to the East, Malaysia in the South and Myanmar to the North and West.

### Languages

The official language of Thailand it is Thai.

### Dominant Religions

The most common religion in Thailand is Buddhism followed by Theravada.

### Population

The official language of Thailand it is Thai.

### Form of Government / Political Structure

Thailand has a constitutional monarchy

### Key Figures

- The Monarchy of Thailand
- King of Thailand: King Maha Vajiralongkorn
- Prime Minister of Thailand: Prayuth Chan-Ocha

### Legal System

Thailand has a Statutory Law System.

### Corruption

Corruption in Thailand has been ranked 99 out of 180 Countries in the world.

### Freedom House Score

- Scored 32 out of 100
- 6 for Political Rights
- 26 for Civil Liberty

### Health Concerns

- Life Expectancy is 76.93 years Old
- Common Diseases found in Thailand consists of: Malaria, Dengue, Japanese Encephalitis, Leptospirosis, Soil Transmitted Worm Diseases, Hepatitis B, Hepatitis A and HIV
- Health Expenditure: 3.7 of Thailand's Current GDP



### Employment Indicators

- Thailand has an unemployment rate of 0.7%.
- 9.86% of people are living below the poverty line.

### The Frequency of Natural Disasters

- Flood - 571
- Storm - 25.7
- Drought - 8.6
- Earthquake - 3.8
- Landslide - 2.9
- Other - 1.9

### Environmental Concerns

Thailand is currently facing large number of environmental concerns that include:

- Loss of biodiversity
- Declining wildlife populations
- Deforestation
- Desertification
- Water Scarcity

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