

Draft

**LINKAGES BETWEEN GLOBALIZATION, CONSUMPTION PATTERNS AND
HUMAN DEVELOPMENT IN THAILAND**

by

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Part 1 Overview: Social and Economic Changes under Globalization

The past decade has witnessed significant increases in the consumption level as well as changes in consumption pattern of the Thai people. These changes have come with globalization which integrates the markets for products, capital and labor in all parts of the world through international trade and investment. Consequently, there are increasing flows of products available from abroad as the country undergoes trade liberalization process by reducing import tariffs. Multinational corporations also play an important role in production of international quality goods for domestic consumption as well as for exports. People have more income and are more exposed to behavior and values of the Western world via various media and through increased mobility as a result of improved transport and communication technology. Moreover, the education system which follows the western style has familiarized the Thai people to the Western way of living. All of these factors have encouraged "consumerism" in the Thai society. Furthermore, on top of these things there are strong competition among products in expanding their advertising budgets and using various marketing strategies to capture the target consumers whose consumption behavior has changed and become more westernized.

Globalization plays an important role in determining the direction of the Thai economic policies in allowing external factors such as supra-national organizations to have greater influences on the economy. The first group of supra-national organizations consists of those acting as the world manager such as the IMF, the World Bank and WTO, while the second group is the multinational corporations. Both of these groups of organization have encouraged policy direction in three ways, namely, in the choice of development strategy toward globalization more than local community development, toward urban development more than rural development, and toward the choice of economic growth and stabilization policies more than income distribution and poverty alleviation.

Globalization accelerates the change in production structure of the Thai economy. Agricultural sector will have a declining share of GDP, while industry and

service sectors continue to expand in its production. Production technique will adjust from labor intensive toward capital intensive and knowledge or information intensive technology.

Globalization yields greater benefits to the urban few than to the rural population at large. While income distribution has not improved, the environment and natural resources are depleted. As urbanization expands, a bigger chunk of government budget has to be allocated to solve the urban problems and a smaller proportion remaining for rural and regional development in the country.

Part 2 Consumption Changes

2.1 Consumption and Purchasing Pattern Changes

The total consumption expenditures of the Thai people have more than doubled in real terms between 1986 and 1996, with an average real growth rate of 7.6% p.a., compared with real GDP average growth rate of 9.1% p.a. in the same period. Consumption growth rate tends to move closely with GDP growth, and during 1988 -1990 when GDP was growing at a double digit rate, total consumption expenditures also reached a double digit growth rate and even exceeded GDP growth in 1990.

There has also been a change in consumption pattern and behavior over the period. Consumption items having the largest increase in expenditures are luxury products and new products not customarily consumed in the Thai culture, but the tastes for which have been developed as a result of the demonstration effects from foreign movies, television programs, as well as foreign concepts and values inherent in advertising campaigns. These products include alcoholic beverages, particularly beer and wine, personal care products such as perfume, health foods, fast foods, imported brand name clothing, private cars, private hospital services, private tuition, eating out in restaurants rather than preparing meals at home, etc.

Taking a closer look at the changes in consumption pattern by comparing household consumption expenditures in 1986, 1990 and 1994, the years for which data are available from Socio-Economic Surveys, one finds a number of clear trends, some of which are shown in Figures 1A and 1B..

Firstly, the proportion of monthly expenditures on food prepared at home has declined throughout, while take away or ready to eat food such as noodles and canned food, and food eaten out increased in proportion. This pattern is observed for Bangkok as well as the rural villages and the country as a whole, although the

magnitudes and relative importance of take away or ready made food are much smaller in the villages than in Bangkok. This changing pattern of consumption reflects changing social conditions and present day lifestyle. In Bangkok in most families both husband and wife are working to earn income, and traffic takes up many hours a day, making it more convenient for people to buy ready made food to eat at home or eat out rather than cooking the meals themselves. The rapid springing up of western style fast food chains such as KFC, McDonalds, Pizza Hut, etc., also contribute to this trend, especially among teenagers and young working age groups. For middle to upper level professionals and business executives, dining out in restaurants or hotels is a social function and entertainment. Consequently, in 1994 food eaten out reached about 12%, almost the same proportion of household consumption expenditures as food prepared at home. A survey in 1997 reports that Bangkok households spend an average of 1,500 baht per month to eat out. This adds up to about 12,000 million baht over the year, with the market growth rate of about 25%. Over 60% of Bangkok people eat out once or twice each week, over 20% three to four times a week, and 15% eat out every day. In the villages, on the other hand, people still mostly prepare their own meals but consumption of prepared food is slowly increasing.

Secondly, consumption of alcoholic beverages is increasing, with beer gaining more in proportion between 1986 and 1990, but wine consumption increased rapidly in 1990's, especially among middle to upper income classes in Bangkok who have recently adopted the western taste for wine. The proportion of Thai women drinking alcoholic beverages has increased. This is another western influence, where women have a greater awareness of equality between men and women, thereby changing their attitudes and values about freedom to live their life. In addition, they have higher education, higher income, and more social functions, and they are influenced by advertising media presenting women drinking as being smart, confident and modern.

Thirdly, there has been a decline in the proportion of spending on medicines purchased for self treatment, and an increase in the proportion of expenditures on medical services, especially in private clinics and hospitals. This can be explained by rising income and unmet demand in public hospitals, as well as a rapid increase in the number of private hospitals responding to such unmet demand, often with better

Fourthly, purchasing of vehicles is increasing most significantly, even in the villages. As purchasing power increases, people go for more luxury products as private cars.

Fifth, since 1990 there are new products appearing among consumption items such as mobile telephone, pager, cable television, and home computer equipment., which are for communication and recreation purposes. Although the proportion of these items in consumption expenditures is still small, it is definitely rising.

Sixth, people spend an increasing proportion on tuition in private academy, domestically as well as abroad.. This is in addition to regular school fees. It is considered a normal practice or a fashion for parents to send their children for extra tutorials in English language, mathematics, computer application, arts, music, and Thai dance, etc., after school or on weekends, or for the summer, for fear that their children may not be able to compete with others without such tutorials. Summer courses in England, the United States, Australia and New Zealand are popular among children in middle and high income families.

Finally, insurance premium is another item with rising proportion of consumption expenditures, particularly in 1990's. This trend is a result of the establishment of the Social Security Program in 1990 for employees of medium and large enterprises, and the expansion of the health card program which is a voluntary health insurance program in the rural areas, as well as the Car Accident Insurance Program in 1992.

In addition to the above changes which are shown by increases in the proportion of household consumption expenditures as reported by the Socio-Economic Surveys, there are other consumption changes which have not been recorded, either because they are new consumption items the magnitude of which are still very small relative to total expenditures, or the consumption of which may be concentrated only among certain population groups. Such items include health products (exercise equipment, self physical check-up equipment, and health care products), and health foods. This relatively new consumption pattern is due to rising purchasing power of the people and their readiness to spend to take care of themselves in the environment where pollution is increasing. These products are mostly imported, with the present market value of 6,000 million baht and an average growth rate of 25% per year. There are more than 20 importers of these products, each one of them has been launching advertising campaigns.

Another consumption change is increased consumption of bottled water. This is mainly due to the deterioration of natural water sources, and questionable quality of tap water, as well as higher income. There are about 2,000 producers with the market value of 4,000 million baht per year. Not all of the bottled water sold in the market, however, meet the standard of hygiene.

The changes in consumption or purchasing behavior also extend to the type of stores. Urban people now prefer to shop in air-conditioned shops and supermarkets rather than in local traditional markets. Reasons for such preference include convenient location, large selection of products, good environment, parking space, prices are indicated, longer operating hours (some open 24 hours a day), and other services also available such as fast food and bakeries, drug stores, bookstore, laundry and dry cleaning.

2.2 Causes of the Changes

The above changes in the consumption pattern and behavior largely reflect the adoption of western lifestyle by the Thai people. The three most obvious influences received by the urban society are entertainment cum restaurant such as pubs, dressing fashion and food. This is partly due to the attitude and readiness of the Thai people to imitate others or adopt their behavior, sometimes without considering whether it is appropriate for the Thai culture.

The educational system which receives technical and academic assistance, model, theories and ideas from developed countries also contribute to such behavioral changes. Moreover, external factors such as international news agencies presenting news supporting the western lifestyle, or international entertainment programs via TV, movies, magazines and advertising, all encourage luxury consumption western style without linkage to the Thai way of life. It is interesting to note that the product types with highest advertising budgets are those whose consumption has been increasing, namely, passenger cars, real estate, alcoholic beverages, shopping centres and department stores, personal care products and food and beverages.

The changes in shopping behavior of the Thai people has also been caused by the transformation of retailers in accordance with the innovation and development of this industry at the global level. In the past, groceries dominated the retailer industry. They sell necessity goods and situated in community and business areas. Customers frequently buy goods in a small quantity. The poor and lower

middle-income groups are their regular customers. It is estimated that there are 8 to 12 thousand groceries in Bangkok and 300 thousand in other provinces in 1996.

Convenience stores gradually replace groceries in major business areas. The foreign ones entered through a franchise system, e.g. seven-eleven. They have become popular because of 24-hour-a-day services, accessibility and orderliness. Those attached to gas stations in the community centre expand rapidly. The majority of their clients are middle income group. Snacks and soft drinks are their major sales.

Upper-middle income and high income groups prefer to shop at department stores in large shopping centres which provide services under "one stop shopping" concept. Apart from shopping, they provide several other services such as movies, funfare, and food centre. As a result, shoppers spend more time in department stores. In addition, there are businesses which have more specific characteristics, e.g., discount stores or superstores selling a bulk quantity with some discounts for middle and low income customers. These stores attract some customers from groceries and convenience stores.

Large retail stores or shopping centres have been growing in Bangkok since 1984. More recently, as traffic problem worsens and congestion increases from immigration of rural population to Bangkok to find jobs, rising price of land and higher competition, shopping centres have to move out of the Bangkok centre to community centres which include office buildings, hotel, cinema and food centre.

According to the GATT agreement, the Thai government has to allow more and new foreign retailers to invest in Thailand. Therefore, it will be easier for foreign retailers to remit their profits, mobilize capital and deploy manpower internationally. The liberalization of the retailer sector forces the Thai government to revise the Alien Business Law. The law, enacted in 1972, protects the interest of Thai investors by prohibiting or limiting foreign participation in certain activities and professions. Some believe that the law must go because of the global trends and the obligation to the World Trade Organization.

Another facilitator to shopping spree and purchase of luxury goods and services is the availability of credit cards. Credit card is a financial innovation introduced for the first time in Thailand in 1969. The cards totaled about 1.8 million in 1996 with a transaction volume of over 10 billion baht. It is believed that the growth of the spendings through the cards is 20% annually. The severe competition between the credit card companies, coupled with rising bad debt, led the Bank of Thailand to control more strictly the spending through credit cards. It raised

the annual income earnings requirements of the new card applicants from 120,000 baht to 240,000 baht. It is estimated that the new measure is very likely to reduce the number of new card holders by 1 million persons. The measure cuts down the spending in the economy and slows down economic transactions to some extent. However, whether it could reduce the purchase of luxury goods and services as well as the bad loan remains questionable.

Part 3 Advertising in a Global Economy and Consumption Changes

3.1 Multinational Corporations and Global Advertising

With a reduction in trade barriers and increased foreign direct investments, economic integration takes place at regional level and among countries to benefit from various potentials. Large multinational corporations expand their production base to different countries to distribute their products and build up global marketing for every one in the world to consume products of the same standard and quality. Under such global marketing strategy, consumer markets will have no nationalities, no national boundaries, but will be segmented according to economic status of consumers and areas of development, i.e. urban and rural markets. People in large cities of each country are better off and are ready to try new products. They have similar standard of living and consume the same type of products (e.g., franchised convenience store, fast food, washing machine, microwave oven, or even mercedes benz). They have access to news and information about the new fashion, or marketing of new products in the same instant. They learn about each other's lifestyle through advanced communication and traveling facilities. So their attitudes and consumption behavior converge. People in the villages, on the other hand, have relatively lower income, with their own attitudes and lifestyle and consumption behavior common to rural markets in the region, but different from urban consumers.

The expansion of multinational corporations also have an impact on the Thai economy. Since Thailand is among countries in Asia that experienced rapid economic growth in the past decade, it is a field for competition among many large multinational corporations with an international network of resources, technology and business skills to take up the entire market. High competition among such corporations to capture the market can be seen in their large advertising budgets. In 1993 the top 5 companies with highest advertising budgets were Lever Brothers (Thailand), (consumer products for personal care and cleaning supplies), Procter and

Garnble Manufacturing (Thailand).(personal care products), Nestle (Thailand)(milk and chocolate),Sony Thai Co. (audio visual products), and Colgate Palmolive (Thailand) (personal care products). In 1995, four of these corporations remained among the top five.

Multinational corporations have found that distribution of products to different regions of the world under the marketing plan that communicates with consumers all over the world by using the same message is increasingly effective. Product owners therefore create business allies by bringing in the advertising agencies which campaign for their products at home to also operate in the countries where products are marketed, e.g. McCann-Erickson is advertising agency for Coca Cola, DDB Needham for McDonalds. This strategy benefits both the products and the advertising agencies. The products can employ the same concepts to communicate with consumers everywhere. Advertising agencies gain in income. However, international advertising agencies face with a number of limitations concerning investment, personnel and local laws. The agencies may therefore take an option of a joint venture or partnership with local advertising agencies in order to enter the market, as is the case of many international advertising agencies in Thailand such as DDB Needham Worldwide, which is Needham Harper Worldwide. joining in capital with Far East Advertising Company, a large local advertising agency

At present there are over 180 advertising agencies in Thailand, 20 being international agencies, 18 joint ventures and 146 local agencies. Well known international agencies with 100% foreign ownership are only American firms such as Ogilvy and Mather (Thailand), Leo Burnett, McCann Erickson (Thailand), and J. Walter Thompson. International agencies with a branch in Thailand and more than 50% Thai ownership are, for example, Dentsu (Thailand), and Dai-ichi Kikaku (Thailand).

With a tendency for products to use a global advertising agency, there is also a greater tendency for a global advertising. This could be in the form of production of advertising films from one production source and use the presenter who is well known in the region or the world such as film stars, singers, musicians or sportsmen. The same films may be used in their branches in other countries by translating the required message into local languages. In Thailand one sees such advertising for various products including Coca-Cola, Mirinda, Pepsi, Nike, Nivea, etc. Alternatively, the presenters may be different in each country but the concepts and formats of

advertising are the same. This latter format is often used for consumer products such as Lux soap, Organics shampoo, Oil of Ulan, Pantene Pro-V, etc.

The Thai advertising business is undergoing adjustments to the entrance of multinational advertising agencies and the changes in marketing system in the global economy. Under the present downturn of the economy local advertising agencies have to operate as joint ventures with international agencies for their survival and mutual benefits. Global advertising, however, may not always be effective in the Thai market, as consumers in different countries may have different reasons for purchasing. For example, Thai people may place greater importance on status than the true benefits from using the product, such as the use of mobile telephone or the choice of European rather than Japanese cars. Global advertising may be successful in the case of products where people in different places have the same reason for buying such as airlines or internationally known brands of perfume or cosmetics.

3.2 Media

In addition to the changes in the form of advertising agencies and the use of global advertising, another important related trend is the use of media. Media bring messages and information about products and services, news, and entertainment to audiences or target groups and reach a lot of people at the same time to create mass market in a short time. Figures 2A and 2B present advertising expenditures in total and by type of media, respectively. TV is the most popular media, taking up about 45% of the total advertising value, followed by newspaper, radio, magazine, movie, billboard and bus shelter.

Due to high competition in advertising to introduce products or maintain the image for product loyalty, planning of media appropriate for the target group to maximize benefit is very important. Since the main media such as television, radio, newspaper or billboard, all have increasing costs while competition is stronger, many products and agencies have increasingly turned to other media which are similarly effective. These include bus side, bus back, or tuk-tuk advertising, as well as relatively new media such as direct touchscreen information system. Moreover, since each media will concentrate on the type of information with clear positioning, consumers have to use many types of media to obtain full information, e.g., daily, weekly, bi-weekly, and monthly magazines. Media consumption is increasing. Advertising budgets for these supplementary media have doubled in the past year, with a market share of 5% or about 2 billion baht.

A new concept of advertising is an integrated marketing communication, a comprehensive concept where advertising campaign will have to consider more than one media. This concept emphasizes the role of advertising, direct marketing and public relations as major campaigns, supplemented by minor campaigns consisting of product display, exhibition, seminar, showrooms, demonstration centre and training courses to make marketing campaign more effective. These supplementary media are reminders of advertising from the main media already presented.

Since TV is becoming more expensive, it will be used to create a quick awareness of the target group or to create an image for the product, but not the frequency. Minor campaigns will create more understanding about the products.

3.3 Thai Consumer Groups

It is necessary for advertising people to know and understand the consumer or target group because the choice of products made by consumers are constantly changing, as they constantly learn about news, messages and movements. Consumers demand not just good quality or good marketing management, but also their involvement in the development of product quality by conveying their ideas through various activities to producers.

An obvious behavioral change in the global economy is related to greater equality between men and women. Joint decision making, whether in business or personal matters, have increased. Consequently, advertising has to be more unisex by making their concepts appeal to both male and female, no matter whether the product is construction materials or a microwave oven.

Markets for children and the elderly are equally booming. As a result of a decline in population growth rate, families have less children and therefore can afford to buy quality and sometimes expensive products for their children. Moreover, children these days have more purchasing power and greater influence on the decision of parents to buy products. Advertising using children as model can also create demand for new products.

Similarly, due to the change in population age structure and increased life expectancy, the elderly group is larger in proportion and they are in better health than previously. This is enhanced by yearly physical checkups, exercises and increased popularity of health foods such as bee pollen, ginseng, and algae, etc. Thus health spa and health resort or other health products are interesting markets for the elderly to keep themselves look young and healthy.

A greater number of Thai people will be single, or marry at a later age. Single persons tend to use their salary to buy quality products to compensate for the lack of leisure time due to longer working hours.

In the past decade, there has been a growth of middle income earners in the private sector resulting from high economic growth and high employment. This group works hard and competitively to earn income to satisfy their material needs. Their consumption culture follows consumerism. This can be seen from the consumption of luxury western style products to build up their status. The attitudes and values of this new middle class is the result of western style education emphasizing professional knowledge and skills so they perceive the social happenings in partial, not the whole system or structure. As parents they have little time for their children but instead give them money or materials to compensate. Consequently, children of this generation tend to be materialistic and lack ethical values.

Greater awareness of present day consumers about the environment is another matter which is well responded by advertising. An increasing number of people make their choice of products on the basis of the role played by the producers in conservation of the environment and natural resources. Many large firms therefore create their image of concern for the environment by developing technology in making their products and using packaging which help reduce pollution. The emphasis on green marketing has been increasing in recent years.

3.4 Influences of Advertising on Decision to Buy

Findings from a survey using various sample groups in Bangkok indicate a high level of adjustment of urban people to western style. Advertising is a direct influence on the viewers, both in attitude and behavior. Eighty percent of the advertising concepts are western in presentation, atmosphere and content, for example, consumerism and the use of credit card, cologne and teenagers.

A survey of TV advertising viewing behavior of about 750 Bangkok people conducted in 1997 by the Thai Farmers Research Center reports that only 13% of the sample said that advertising has no effect at all on their decision to purchase products, while 19% gave a definitive answer, and the remaining 66% said that advertising helps to some extent in making their purchase decision, depending on the type of products. High influence of advertising has been reported for such products as food and restaurants, house cleaning supplies, alcoholic and non-alcoholic beverages, and snacks.

Part 4 Globalization, Trade Policies, Consumption and Production Pattern

Globalization of international trade allows products, capital and labor to flow freely across borders. Thailand's international trade policy, as a result of accepting major agreements worldwide, is geared toward the liberalization of commodity, capital and labor markets. The largest share of Thai exports goes to the United States, followed by ASEAN, Japan, European Union and East Asian NICs. In 1993 their shares are 21%, 17.7%, 17%, 12% and 8.8% of the total export, respectively. The share of international trade with respect to GDP increased sharply from 58% in 1990 to 70% in 1996. This means that the Thai economy has linked more closely with the world economy. Trade liberalization has increased the level of consumption, the quantity as well as the variety of imported products for consumers to choose from.

4.1 Trade Liberalization and Consumption

According to general obligations to the General Agreement on Trade and Tariffs (GATT), Thailand has to gradually liberalize her international trade. Similarly, the participation of Thailand in some groups of regional preferential trade cooperation such as Asia-Pacific Economic Cooperation (APEC) and ASEAN Free Trade Area (AFTA) leads to a free trade policy and ultimately an openness of Thai markets. Thailand agreed to reduce the import tariffs on 997 items of agricultural products by 24 percent within 10 years and 3,500 items of manufacturing products by 30 percent within 5 years. The Ministry of Finance cut the import tariff rate of 30 percent in 1995 to 21 percent in 1996 and to 17 percent in 1997. The target was accomplished faster than planned.

As a result, the imports of consumer goods to Thailand has risen continuously at an average rate of 22 percent per year during 1987-1996. (See Figure 3.) Japan is the major source of the imports, followed by European Union (EU) countries, ASEAN and the United States. The value of durable consumer goods exceeds the value of non-durable consumer goods in the ratio of 1.6 to 1. Food and beverages take the largest share (57%) of non-durable consumer goods imports while electrical appliances have the biggest share (58%) of durable consumer goods imports. In addition, the low tariff rate makes it possible for some Thai consumers to enjoy products being unaffordable in the past such as some expensive passenger cars, wine and perfume.

Out of the twelve groups of negotiation on services under the General Agreement on Trade in Services (GATS), the communication services group shows the most significant degree of the progress in the market liberalization. In 1986, there existed a few mobile phone companies. The supply shortage, coupled with the high price and fee, provided only 1,300 users access to the services. By contrast, more than 30 such companies operating in 1997 have driven down the price and fee by 10 times. The number of users has been up to 1.7 million. Moreover, it is estimated that the ongoing intensive competition and enlarging market will attract 4.3 million users in the year 2000. The increasingly severe competition has resulted in the improvement in both quantity and quality. The frequency systems have multiplied: from 2 (e.g. NMT 470 and AMPS 800) in 1986 to 6 in 1997. In addition to a continuous decline in prices and service fees, there is a tremendous improvement in services (e.g. voice mail service and low-weight receiver) and efficient networking systems. Changes in other communication services such as pagers share the similar pattern as mentioned above.

After the adoption of Trade-Related Intellectual Property Rights (TRIPs) agreement in 1994, a large number of illegally replicated products have been confiscated and fewer illegal replicas are available in more limited areas. Violations are most frequently found in music tape cassettes, movie videos and computer softwares. The protection of the property rights by tougher actions of Thai officials makes foreign producers and firms feel more confident in promoting the availability of new and larger variety of products to Thai consumers. A major impact of the property rights protection is higher prices of patented and brand-name products and consumers' lower degree of affordability.

4.2 Changes in Production Structure

4.2.1 Labor

The Thai production structure has changed significantly over the past 30 years from the agricultural base to the industrial one. The share of agricultural produce dropped from 39.4% of GDP in 1961 to 11.3% in 1994 whereas the share of manufacturing product rose from 12.4% to 31.3%.

Workers in the agricultural sector declined from 68.4% of the labor force in 1982 to 57% in 1993 while workers in the industrial sector rose from 31.6% to 43% over the same period. It is estimated that the share of workers in the agricultural sector will go down to 53% in the year 2001.

The success of the industrial development in the past relied on cheap labor to produce export products to compete in the world market. In order to maintain the comparative advantage of labor-intensive products, Thai producers brought in foreign unskilled and semi-skilled labor from neighbouring countries such as Myanmar, Lao, Cambodia and China. According to an official source, the demand for foreign labor increased from 111 in 1990 to 10,938 in 1992 and 66,891 in 1993. General employees are in the most seriously short supply, followed by construction workers, agricultural employees and factory workers. The study by Sussangkarn (1996) based on Computable General Equilibrium indicates that in 1995 the availability of foreign workers reduced the production cost and thus the export value expanded by 0.64 percent. It is estimated that there were more than 1 million legal and illegal foreign workers in 1996 (Chalamwong, 1996a). In addition to the government relaxing control measures of migrant workers, the low cost of hiring them is a main incentive for employers to accept them. Employers pay unskilled migrant workers one-third the wage demanded by Thai workers. The payment is lower than the minimum wage rate fixed by the government. In addition, most employers prefer migrant workers because of their hard working without complaint or protest, as opposed to Thai workers. Dirty and dangerous works that Thai workers do not want to do need migrant workers. For example, fisheries industry, regarded by Thai workers as filthy and unhealthy, employs about 300,000 aliens.

The adverse effects of having migrant workers are numerous. The availability of the migrants decreases the real wage rate of Thai workers by 3.5 percent (Sussangkarn, 1996). Since most unskilled foreign workers come from areas stricken with widespread infectious diseases, they reportedly account for the increasing rate of malaria, elephantiasis, yellow fever, diarrhoea and AIDS. The Thai government has to bear the cost of treatment and prevention of these diseases. Moreover, a survey reported that more than half of Thais worry about the criminal problem committed by the migrants (Chalamwong, 1996b). It is estimated that in 1996 the Office of Social Security Office has foregone the social insurance contribution from the illegal foreign workers in the region of 1.5 billion baht (US\$ 60 million) (Suksiriserekul, 1997).

Some producers cut down the production cost by evading the provision of safety and occupational health to their workers as required by the law. Though no data about the cost of the evasion are available, the number of work-related injuries and illnesses which more than tripled between 1989 and 1995 can approximate

the magnitude of the law violation. A survey of 144 factories in Bangkok and the vicinity by public officials reveals the substandard of the labor safety and occupational health. Ninety percent of them did not have fire alarm, 80% without emergency exit and 70% without fire extinguisher. The fact that the United States employed Generalized System of Preferences (GSP) to pressure some developing countries to improve labor standard leads the Thai government to revise and raise the labor safety and occupational health standard to be compatible with the international level. It is also expected that the labor standard will become a very important issue for international trade in the near future. In order to avoid the trade conflict with major trade partners, the Thai government has launched a number of control and regulation measures to fend off the allegation over this issue. It is most likely that the implementation of the international labor standard enhances the quality of life of Thai workers.

4.2.2 Capital

Large amounts of capital inflows come in the form of FDI. Foreign direct investment (FDI) in Thailand have substantially increased during the 1990's. In 1996, it was about 57.4 billion baht (US\$2.3) . The privileges granted by the Board of Investment (BOI) to foreign investors and the production base relocation of Japanese and Asian newly industrialized countries (NICs) to Thailand due to their currency appreciation are the major reason underlying the rapid rise. The pattern of FDI has gradually changed from production of locally used products to export products. Electrical appliances industry takes the largest share of FDI. Also, the size of the investment has gradually departed from large-scale factories to medium-scale ones with less than 100 employees. The nationality of FDI owners at present is remarkably different from that in the past. The majority of the foreign investors after 1992 came from Asian NICs whereas the biggest investor before 1992 was Japanese.

Though FDI is anticipated to generate desirable impacts on industrial development in terms of technology transfer and export promotion as well as on social development in the form of full employment and more equitable income distribution, only the trivial effects can be identified. Thailand's weak technology foundation is responsible for this. In order to accommodate technology transfer, the following four types of the technological skill have to be fulfilled: acquisition capability, operative capability, adaptive capability and innovative capability. Most of existing Thai joint venture firms lack all of these except operative capability. A

survey of a number of FDI firms and Thai firms indicates that the technology of foreign firms does not diffuse to local firms through the transfer of workers from the former to the latter. Also, the experience and technology learnt by Thai workers in foreign firms are not sufficient for them to set up their own businesses. Moreover, most workers mobilize between foreign companies rather than moving from foreign to local firms. On the contrary, Thai firms lose their talented workers to foreign firms. This means that FDI is not conducive to the human capital building of Thai workers.

Borrowings from overseas commercial banks rose by more than 16 times between 1989 and 1996. Before 1994, the borrowing ratio of the banks incorporated abroad to the banks incorporated in Thailand was 0.43:1. In 1996, the ratio was 0.86:1. The rise in the proportion is a result of the higher domestic interest rate than the foreign one by twice and the availability of Bangkok Institution Banking Facilities (BIBFs). The BIBFs is a condition for liberalizing Thailand's financial sector. This shows that Thailand gets involved more closely with the world capital market and depends increasingly on resources from outside. Thus the Thai financial sector can no longer avoid the impacts of the global financial sector.

4.2.3 International Organization for Standardization

Since Thailand became a member of the International Organization for Standardization in 1991, Thai producers and companies are keen to raise the quality assurance of their commodities up to the world standards. As the EC countries and some other industrial countries have increasingly required Thai exports to meet ISO standard, Thai exporters are eager to apply for the standard in order to strengthen their competitiveness in the global market. At the beginning of 1997, two hundred companies obtained the certificates of ISO 9000, accounting for 79 products. The majority of the products involve construction materials. In comparison to some ASEAN countries, the number of Thai companies acquiring the ISO certificates is small. More than 1,500 Singaporean companies and about 800 Malaysian firms possess the certificates.

Though enhancing the welfare of consumers in the importing countries, the improvement in the quality standard does not affect Thai consumers as most of the products meeting the ISO requirement are for export. The adoption of ISO 14000 in 1996 is likely to benefit the welfare of Thai people as it takes into account the environmental issue. The EC, the United States, Canada, Japan, Australia and New Zealand require ISO 14000 of the following imported commodities: textile,

paper, computer, electrical appliances and wooden products. The production processes of these products are major sources of the pollution generation in Thailand. The ISO 14000 can force Thai producers to reduce polluting the country whereas the local laws and enforcement are too relaxed to do so. Due to the expected increase in net gains from ISO 14000, more than 20 firms applied for the certificate after it was available in Thailand less than a year.

4.2.4 Changes in the Production Technique

Most changes in the production technology and technique in Thailand are induced from overseas. A study comparing between modern agricultural production based on the fertilizer utilization and the traditional one based on the land increment found that the former gave higher returns than the latter (Sri-Burueng et al, 1996). As the productivity of fertilizer yields greater output than that of land, more fertilizer is imported.

Thai farmers use pesticide to improve the quality and quantity of their outputs. The import of pesticide keeps rising from 20,270 tonnes in 1987 to 44,922 in 1996, a growth rate of 122%. The adverse effects of the pesticide use are found to be hazardous to the users and the environment. Though the import of a number of dangerous pesticides is prohibited, those already imported are still allowed to be sold in Thailand. Apart from farmers inappropriately using these pesticides, the pesticide suppliers heavily bombard them with advertisements of their products as well as very aggressive sale strategies. Their advertisements contain no information about the correct and safely application methods and side effects. According to the Ministry of Public Health, the death rate of patients suffering from pesticide-related illnesses has been sharply increased from 0.08 % in 1988 to 1.33% in 1993. Though Thai farmers can improve their yields by adopting new production technique discovered and developed abroad, some of them are not suitable in terms of human suffering and environment degradation.

4.3 The Interactions between Consumption and Production

There are two directions of the association between domestic consumption and production: supply-led consumption and consumption-induced production. To gain from economies of scale in the production process and hence lower unit cost, producers of some export commodities expand the domestic market size. For example, the local markets of canned foods and canned fruits started to expand after facing some obstacles in the foreign markets. In addition, some exports that

cannot meet delivery requirements end up in the local markets. As a result many items produced initially for export have also found their way into the local market. This is in line with the opinion of some experts who believe that Thailand's export-led growth is over and the economic growth can be achieved again by stimulating local consumption.

Exotic fruits and flowers and western-style greeting cards are examples of consumption-induced production. The demand for these goods is derived from consumer's higher income and their western taste and life style. The increase in the demand for some exotic fruits and flowers results in planting the flowers and growing the fruits in the North of Thailand. The rising demand for fruits and flowers also make available more fruit stalls and florist shops. In the past, the market share of western-style greeting cards was almost all captured by Cordial, a foreign company. The competition of such business today becomes severe as local printing houses that previously produced only advertisement leaflets and packaging turn to print the cards.

The supply-led consumption and consumption-induced production can benefit Thai people in terms of the availability of a wide selection of commodities. In addition, the fact that the local commodities are cheaper than the imports lowers the cost of consumption. It can enhance Thai people's welfare.

Part 5 Changes in Consumption and Production Patterns and Human Development

The consumption pattern changes and the availability of more and varied products have significant impacts on human development of Thai people. The quality of their study and training gradually conform to the world standard. Though they benefit more from health promotion products and private health services, their health status is worsened by consuming tobacco and alcohol, using pesticides, risking traffic accidents. The development may not be sustained due to the widening income distribution between people in agricultural, industrial and services sectors and the environmental degradation. However, the effects of globalization on consumption and production patterns will continue, but on a more limited scale.

5.1 Education and Training

Globalization affects education in the sense that Thai students have more opportunity to study in the international academic institutions. There are three major

means available to attend international courses. First, more students study abroad. Between 1992 and 1997, the number of students going abroad under the supervision of the Office of the Civil Services Commission increased on average by 4.8 percent. Figure 4 indicates that the United States is the most popular educational source for Thai students. It should be noted that the accurate number of Thai students in foreign education institutions is difficult to estimate. For example, a managing director of an education center in Melbourne, Australia reported that about 4,000 Thai students study in Australia each year whereas the number of students in Australia taken care of by the Office of the Civil Services Commission is around 400. Engineering is the most popular subject, followed by Business Administration and Medicine and health science. Each accounts for more than 10 percent of the total students.

Secondly, more international education institutions are operated in Thailand. The number of international schools has risen from 16 in 1993 to 34 in 1997. The pupils totaled 14,513 persons in 1997, a 12 % per year increase during the period. A rise in the number of international schools is partly attributed to a change in the government's education policy and higher income of Thai families. The recent education policy allows the private sector to play more role in the education provision. International schools are well dispersed between central and regional areas in terms of location. Though the quality of education rendered in international schools is acceptably higher than average local schools, the tuition fee charged by the former is many times higher than that fixed by the latter. For instance, a new international school expecting to operate in 1998 at the center of Bangkok sets the tuition fee in the range of 160,000 – 250,000 baht per year (US\$ 3,200 – 5,000 using an exchange rate of 50 baht per dollar). In contrast, public local schools charge less than 5,000 baht a year (US\$ 100).

Thirdly, local educational institutions offer more international courses. The availability of these courses are intended to bridge the gap of the demand for such courses and thus become an option for students contemplating studying abroad. This is possible as a result of the government's capacity building up policy in the past by recruiting talented instructors to train abroad. The fact that the quality of local courses is comparably acceptable to that of foreign counterparts and that the former's cost is far cheaper makes the former enable to compete with the latter. In addition, some courses aim at recruiting students from the neighbouring countries such as Indochina and ASEAN countries. Business Administration, Economics and Engineering are the most available courses in Bachelor's and Master's degree levels.

Some institutions collaborate with foreign institutions in exchanging their staff and students. More student exchange programs are increasingly available in university and colleges.

Moreover, the recent policy of the Ministry of Education is to prepare pupils for the globalization. For instance, it is required that the computer and foreign language courses should be incorporated into the curriculum. The Ministry of Education spends a large budget on installing computers for every public school. More training courses concerning international affairs are provided in both the public and private sectors such as the WTO laws and regulations and conducting business with foreigners.

5.2 Health and Nutrition

The globalization makes it possible for Thai consumers and producers to gain knowledge about health improvement products and be able to purchase them from abroad as a result of information flow across borders and the low import tariffs. At the same time other imported products deemed to be beneficial for agricultural and industrial development turn out to be hazardous to health. The net gain due to the changes is difficult to realize since the beneficial products affect different aspects of human development from the harmful products.

5.2.1 Smoking

After Thailand banned all forms of advertisement of both domestic and foreign tobaccos in 1988, the American exporting tobacco association asked the United States Trade Representative (USTR) to put pressure on the Thai government to lift the ban and liberalize the Thai tobacco market in line with the world market. In 1989, the USTR brought the case to the attention of GATT. GATT reached the verdict in 1990 that the ban on the tobacco import violated the GATT agreement. GATT suggested that the Thai government should use other measures such as labeling the warning against smoking hazards on the cigarette package and the revelation of the cigarette content to control the tobacco consumption.

Thailand finally lifted the ban on the tobacco import in 1991. The market share of foreign tobacco at present stands at 3%. The consumption of imported cigarettes increased from 0.58% in 1991 to 0.87% in 1993. Despite various campaigns against smoking launched by the government and non-profit

organizations such as non-smoking area and advertisement against smoking, the smoking does not recede.

Tobacco transnational corporation (TNCs) attempt to maintain their market share among adults and to increase their sales among the youth by means of cultural sponsorships. These strategies are monitored by some Thai non-government organizations. They reported that the foreign tobacco companies target the youth by financing rock music shows and art festivals. During 1993-1996, five major shows were funded by them.

It is reported by the Health Systems Research Institute that about 42,000 Thai smokers die each year from smoking-related illnesses. In comparison, the proportion of smoking-associated deaths to the total deaths of all causes is 1 to 6. The cost of treating lung cancer due to smoking is 300,000 baht per case. Limsila (1994) estimated that the total cost of smoking was valued at 4.3 billion baht (US\$ 166 million). The sum consists of 2.5 billion baht of health treatment costs and 1.8 billion baht of earnings loss.

5.2.2 Pesticides Use in Agriculture

Structural adaptation and life-style change in response to the globalization in Thailand result in new and concentrated forms of pollution. The hazards indeed retard human development and in turn destroy sustainable development. It is reported that the import of toxic substances has gone up over time. In 1994, the imported volume was 2.22 million tonnes. A study of the quality of water sources across the country in 1994 found that 81% of the reservoir were contaminated with DDT. The total hazardous waste was 1.35 million tonnes in 1994. Three-fourths of the waste came from the industrial sector (Suphawong et al, 1996). It is estimated that the industrial waste will amount 2.81 million tonnes in 2001.

The Food and Drug Administration (FDA) investigated the pesticide residuals in 5 common fruits grown locally. It reported that 98% of the 79 samples had the pesticide residuals exceeding the standard. A survey in 1994 by the Department of Agriculture also obtained a similar conclusion. The high level of the pesticide residuals is due to the fact that the yield of many crops can be sustained by increasing utilization of chemical fertilizers and pesticides to fight resistance. A blood test of 416,438 farmers nationwide indicates that 16.6% of them had tainted with pesticides.

5.2.3 Traffic-Related Illness

The economic growth escalates more transportation activities, causing a lot of serious traffic-related illnesses and accidents. The total number of vehicles increased from 5.8 million in 1988 to 9.6 million in 1992, a growth rate of 65%. The level of suspended particulate matter (SPM) on congested roads in Bangkok exceeds the ambient air quality standards. A study based on the 1991 data estimated that 52 per 1000 population in Bangkok developed respiratory diseases due to SPM. They altogether lost 2.1 billion baht for the treatment cost and forgone earnings (Trakannuwatkul, 1996). It further speculated that the cost of SPM-related morbidity will be as high as 5.1 billion baht in 2000. Another study examining the lung disease of traffic policemen in Bangkok in 1995 found that one third of the policemen manifested respiratory symptoms and another one-fourth suffered from abnormal pulmonary functions (Sawang et al, 1995).

The death rate due to the traffic accidents has significantly increased from 4 per 100,000 population in 1962 to 20 in 1992. It is found that the economic loss in terms of life loss, disability, products loss, treatment cost and property damages accounted for 69.7 billion baht in 1993. The sum is 2.23% of GNP (Pattamasiriwat, 1994). The majority of traffic accident victims (more than 50%) are middle-age group (15-35 years old).

5.2.4 Health Foods and Health Products

Thai people become more health-conscious as they are more educated and learn new experiences from abroad. Their demand of consuming health-generating goods and services can be met by the rising income level. Though more health promotion products are available from abroad and in some cases in the form of local substitutes, the number of the consumers are limited. The growth rate of health foods is estimated to be around 1-2% per annum. The most popular marketing strategy of these products is the direct sales. Some sales strategies include persuading their health food customers to purchase vitamins and cosmetics as a package. Most of the producers are joint ventures between MNCs and Thai investors, manufacturing a wide variety of health and health-related products.

Health clubs are usually available in hotels, condominiums and large communities. The membership fee is extremely expensive so that there exists a small number of members. Its major commercial strategies are the direct sales to the target group and the advertisement in relevant magazines.

Fitness centers, targeting businessmen and student customers, mainly provide physical fitness and reduce weight. It is usually located in shopping malls and dense commercial areas.

5.3 Excursion Abroad

Globalization promotes the opportunity of people across borders and hence links people of different countries together. Increasing number of Thai tourists travel abroad and more foreign tourists come to Thailand. The number of Thai people making excursion abroad doubled, from 900,000 in 1990 to 1.8 million in 1996. Their total expenses also went up fivefold. The higher income level and the intensified demand for journeys in foreign countries are responsible for the growth of the tourists and expenses. Thai people are great shoppers, as forty-two percent of the expenditures abroad were spent on souvenir, while only 20 percent were spent on accommodation, 13 percent on food and beverages, 10 percent on transportation, 9 percent on entertainment and the remaining 6 percent on miscellanea.

The number of foreign tourists in Thailand increased from 5.3 million to 7.2 million during 1990-1997, a rise of 36 %. Their expense grew by about twice. They spent most on souvenir (38%), followed by accommodation (20%), food and beverages (14%), transportation (12%), entertainment (10%) and miscellanea (6%). The majority of tourists come from ASEAN and East Asian countries.

A major concern over the Thai tourism industry is the environmental damages. For instance, to serve some tourists, natural habitat and wildlife sanctuary are invaded. The disturbance of the ecology system will adversely affect the well-being of Thai people in the medium and long terms. Fortunately, some tourists from the United States and European countries pay more attention on the preservation of the nature or so-called "Eco-tourism". The Tourism Authority of Thailand, therefore, has adopted it as its recent policy and launched many campaigns to create an awareness of foreign visitors.

5.4 Distribution of Gains from Globalization

With the world being linked together in the age of information, one sees changes in all social activities, consumption, production and culture. Mass media provide news and information which reflect the culture and lifestyle and social organization of the originating societies in the West. Communication in the age of

technology revolution could therefore have positive as well as negative effects on the culture, economic and social values of receivers of information. Such changes in values and tastes, however, are not equally observed among population groups. The middle class in urban society tends to have both the capacity and capital necessary to gain more access to such new culture from globalization than do their rural counterparts.

Urban people adjust to the western style quite readily. At present, they consist mostly of educated groups who have similar tastes as people living in large cities elsewhere in the world. They are completely different from their own relatives upcountry. The new changes, however, come to the people in the provinces more slowly but they now begin to copy such materialistic lifestyle from the urban people.

Since the products consumed depend more on imports of both final and intermediate goods, the potential to be self reliant is destroyed because domestic production can expand on its own with more difficulty. This also worsens the poverty problem because villagers will be led to consume products arising from artificial needs. Moreover, such over spending can lead to trade deficits and high debt burden. However, privileged groups in the country prefer and are able to live the lifestyle of western large cities. Since they have influence and political power, they will support the policies based on luxury consumption. The economic downturn since 1996 is partly due to this overspending of the Thai people, and the depression itself has slowed the luxury consumption to a great extent.

Similarly, on the production side, since agricultural exports of Thailand depends on the world market, changes in the world price and supply affect the Thai exports. After 1967 the world prices of major crops relative to other commodities steadily declined, except for some years where there is supply shortage of food crops in the world market due to draughts. This causes the slump in the income of Thai farmers overtime. The income share of the agricultural sector of 33% of GDP in 1962 went down to 12% in 1992. Thus the income distribution gap between farmers and industrial workers has widened.

The government has an important role to play in redistributing gains from globalization. In spite of the directions of economic policies led by globalization process to pay more attention to urban and industrial sector, government could design policies specifically for the rural agricultural sector which is still the majority of the population. One important policy direction is an increase in education opportunity for the rural children. At present there is only primary level compulsory education which produces a lot of unskilled labor. This could lead to unemployment

when the industry becomes capital intensive. Strengthening education for rural children will increase the number of skilled labor and lessen the chance of rural people to be unemployed. In addition education will extend the knowledge made available from advanced information technology and prepare the rural children to benefit from globalization which will eventually come to them.

5.5 Sustainability of Human Development

The extent to which changes in consumption and production pattern following globalization can affect sustainability of human development depends among other things on the environmental impact and social acceptance of such changes.

5.5.1 Environmental Concerns

It has been mentioned in earlier sections that many consumption and production changes could have serious impacts on the environment, such as pesticide use in agriculture, the use of certain packaging materials which are nondestructible, the increased use of vehicles on the roads worsening the air quality, and dumping of chemical wastes in the water, etc. To be sustainable, there must be conscious actions on the part of all parties concerned to prevent adverse effects such as pollution and depletion of natural resources.

Industrial development in Thailand has been contributing significantly to rapid economic growth and financial conditions of the country as well as the standard of living in material senses by allowing Thai people to be able to consume products of comparable quality to the rest of the world. On the other side of the coin, however, there has not been enough consideration about the impact of industrial development on environmental quality. There is a lack of adequate control and prevention of air and water pollution and management of industrial wastes which have adverse impact on the health of the people.

Multinational corporations have had important role in industrial development in Thailand. With industrial growth comes industrial pollution which the MNC's should also have a major role to play in managing it and preserving the environment.

A study on waste management of the National Environment Committee in 1989 has found that the chemical industry has the most hazardous wastes, followed by steel, wood, and ceramics industries. It was also found that the MNC's

investment concentrated in chemical and chemical product industries. These investments came from Japan, the Netherlands, the US, UK and Taiwan.

Although Thailand has moved toward industrialization, the agricultural sector is still important for the Thai economy. There has been technical development in using chemicals as necessary factors of production. Pesticide and weedicide operators registered in Thailand are over 40 firms. Most of them belong to the MNC's which possess a large market share in Thailand. Pesticides have impact on the environment in every step from production process to marketing, sales and usage, so it is necessary for the MNC's to be responsible in managing such environmental impacts. However, the MNC's in Thailand have not seriously shown their interests in preserving the environment, except for their acceptance to comply with the environmental laws and regulations of Thailand which are weak and full of loopholes. The laws are not able to force the MNC's to follow a higher standard of environmental protection than that specified by law inspite of their ability to do so.

On the consumption side, marketing men are much more aware of environmental conservation because they know that if the environment is affected by business operations, the organization itself will be adversely affected. Private business executives do not look only for short term profits but also try to create a good image of the organization. Part of the image building is to participate in activities to deal with the environmental and natural resource problems, such as project to replant the forests.

The most important environmental problems for marketing people to take into account in making their marketing plans are air pollution, by campaigning for using unleaded gasoline, followed by water pollution by using phosphate free detergent to improve water quality, and garbage problems by using recycled, refill and reuse products.

Similarly consumers have to build up their conscience in conservation and development of the environment by using products that do not destroy the nature and not causing pollution, and fighting against behavior endangering to the nature, as well as creating beneficial activities for the environment and natural resources. Thai consumers have been increasingly conscious of the environment by using non-polluting materials, eating non-toxic fruits and vegetables, using natural extract cosmetics and recycled products, but this is still on a very small scale.

5.5.2 Social Acceptance

The mass media has been accused of causing consumerism. Using mass media for advertising has led to conflicts between the mass media and the schools in the Thai educational system. The main conflicting issues include entertainment, modernism, content, benefits, language used and values. Entertainments provided by the media create emotions which sometimes are against proper behavior and values held by the school. School curriculum is usually not up to date but has proved to be reliable and correct, while media present current stories and events sometimes not yet proved to be correct. The content of school teachings make academic senses while media only present short and incomplete messages. What is learned in schools are supposed to be applicable to everyday life and can enhance knowledge in the future, while messages from the media are useful for conversation. The media use words, sentences, tone of voice to arouse interest or emotions to call attention in a short time, but the language used by the schools are supposed to be grammatically correct but not interesting. Finally, schools regard media as violating values, good ethics and behavior of the society.

In spite of the above conflicts, school children spend many hours each day watching TV or listening to the radio, while parents worry about their health or a better use of time for their study.

Thus for changes in consumption behavior to gain social acceptance in the Thai society, they must blend in with the Thai culture. It is also important to be selective in accepting western culture which does not conflict with the values held by the society.

5.5.3 Globalization and the Thai Economic Crisis

The economic downturn in Thailand which started in 1996 has partly been due to trade and financial liberalization policies pursued in response to globalization. Trade liberalization has made imported goods cheaper and available in larger volume and variety which fueled consumerism. Financial liberalization has led to large and uncontrollable flows of capital eventually causing heavy external debt burden.

At the same time there has not been conscious effort to adequately invest in research and development to develop appropriate technology to keep Thai export industry growing. A lack of skilled manpower also led to a slow down in exports causing serious current account deficits. As a result, both the trade and the financial sectors faced with great troubles.

Under such a crisis situation, various adjustments in consumption and production have taken place. The overspending has reduced, partly because imported products are now more expensive as a result of baht devaluation. Production slowed and a lot of workers have been laid off. GDP growth rate dropped to zero or even a negative number, inflation reached a double digit rate and unemployment increased to about 2 million people in 1998.

A recent consumer behavior survey has revealed that over 70% of the 3,000 samples in large cities of the country no longer prefer foreign brand products, although Bangkok sample still has a high proportion of such consumption due to their higher income.

The fall in purchasing power of consumers also affect the fast food market. While it is still popular the market growth dropped by half from the previous year. Fast food sales in department stores also has a 15% drop.

The financial crisis in the economy has caused the government to undergo a large budget cut since 1997, along with significant decline in private firms' activities. The government has prohibited unnecessary foreign travelings by government officials. It has cut education, training and research budgets, including scholarships, and close off its foreign office such as trade representatives.. New major construction projects and purchase of office equipment are postponed indefinitely.

In the private sector, many firms have cut down their social activities including advertising budgets, for example, real estate advertising budget fell by 39%, thereby adversely affecting the advertising business. Many media closed down, especially newspaper.

Due to closing down of business or cutting down on production there has been layoffs of employees in many sectors and reduction in work hours of employees, leading to increased unemployment as well as underemployment. The largest layoffs of labor occurred in the 5 provinces surrounding Bangkok, mostly in textile, canned food, frozen food, electrical appliances and electronics, footwear and leather product industries. It is estimated that there will be about 2 million people unemployed in 1998, as the new graduates and workers of newly closed down firms join the rank of the unemployed.

All of these have serious impacts on human development, especially on education, training and social welfare. Such a pause in these activities will take many years to recover. However, the impact of globalization on the economy will continue

because of the trade and financial liberalization which opens up the economy to external influences.

Part 6 Conclusion

Globalization has integrated the Thai economy with other parts of the world through product, capital and labor markets. Trade policies which result in tariffs reduction and expansion of foreign direct investment, as well as marketing strategies employed by firms and information technology development, have contributed significantly to changes in consumption behavior and pattern, as well as production structure and techniques. On consumption, there has been a significant increase in import value of consumer goods, providing greater quantities and varieties of products available for consumption at lower prices, leading to luxury consumption and a tendency to overspend.

On the production side, the changes appear in the use of labor standard, environmental standards, an increase in capital intensity in production, facilitated by lower tariffs for machineries and equipment, and increased use of migrant workers.

In addition there are supply-led consumption and consumption-induced production, both directions of interaction benefit consumers.

The changes in consumption and production have both positive and negative effects on human development. Positive consumption impacts include increased consumption of nutritious food such as meat, milk and dairy products, vitamins and other health foods which tend to improve the nutrition status of the population. On the other hand some products consumed or used in the production process have adverse health effects such as tobacco, alcoholic beverages, and chemical pesticides.

Education should improve through information flows and increased exposure to international standard of education. The quality of life is better in the material sense of having more consumption, more leisure, more entertainment, but at a cost of more pollution and deterioration of family ties, values and culture.

The standard of living of the Thai people has improved due to higher purchasing power, which allows greater convenience in everyday living.

On the whole it is difficult to say what the net impact of consumption and production changes on human development is.

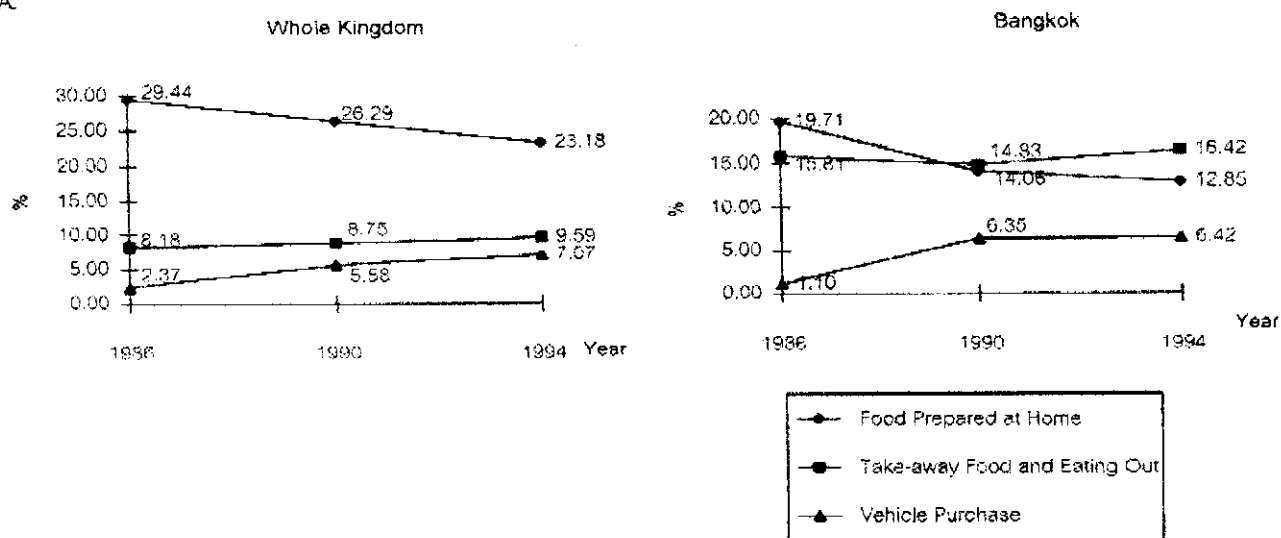
To improve human development, negative effects of such changes should be reduced. Measures improve the MNC's cooperation in dealing with the

environmental impacts and health related matters should be employed. Trade policies should be more selective in screening out undesirable items from import.

Education is important in providing a base for effective human development. Raising standard of education will increase analytical skill of the population in order to be selective in dealing with global influences.

Figure 1: Proportion of Household Average Monthly Expenditure Whole Kingdom and Bangkok :
Selected Items

A.



B.

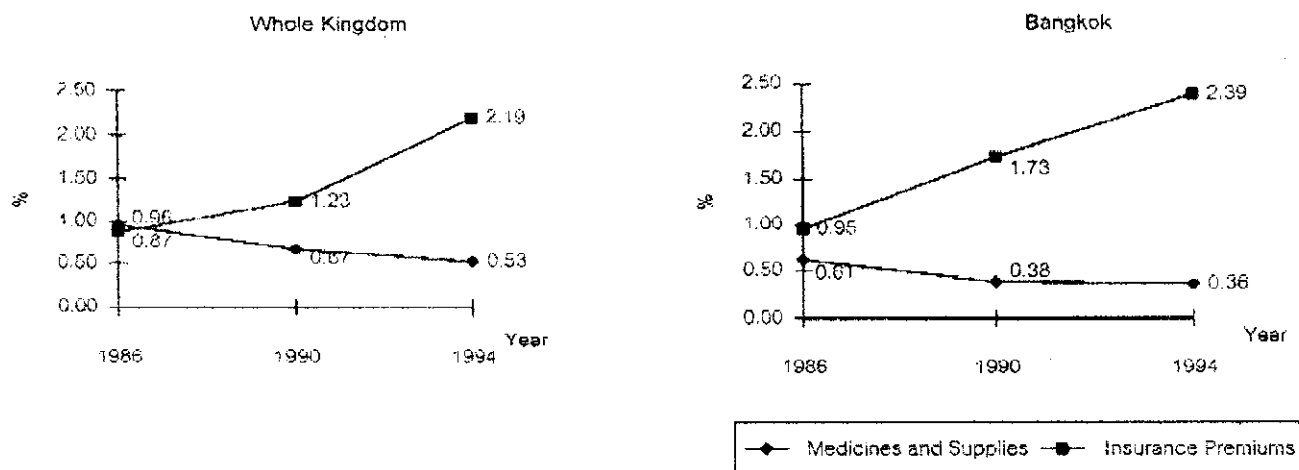
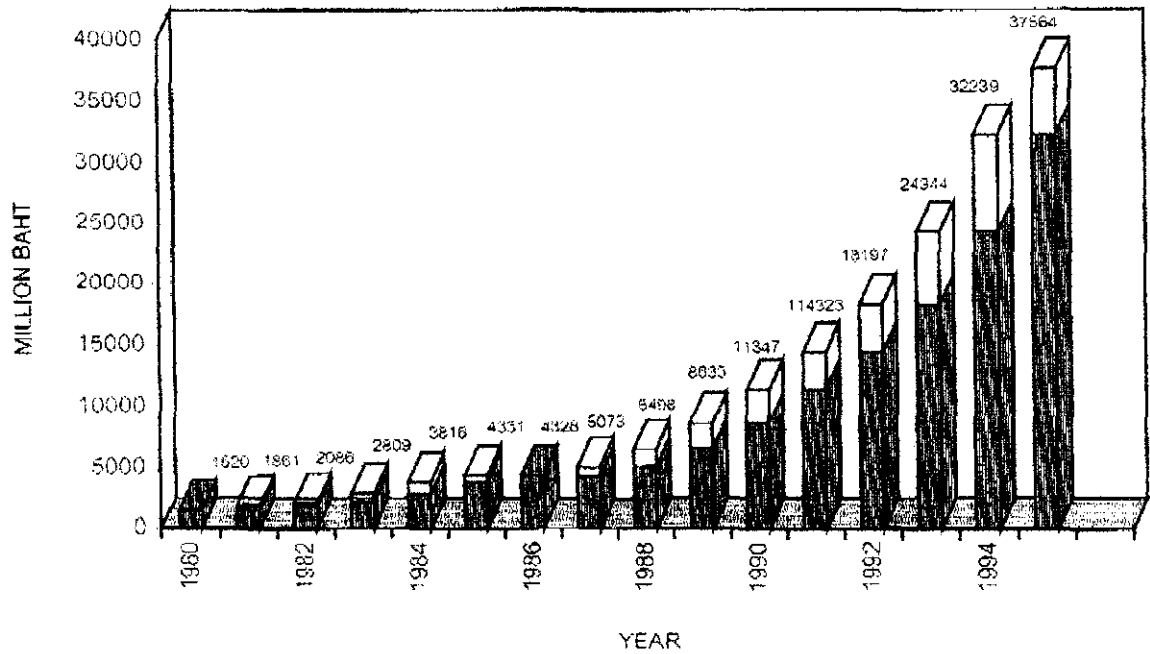


Figure 2: ADVERTISING EXPENDITURE, 1980-1995

A. TOTAL OF TELEVISION, NEWSPAPER, MAGAZINE, CINEMA & OUTDOOR



B. 1980 - 1995 ADVERTISING INDUSTRY EXPENDITURE BY MEDIA

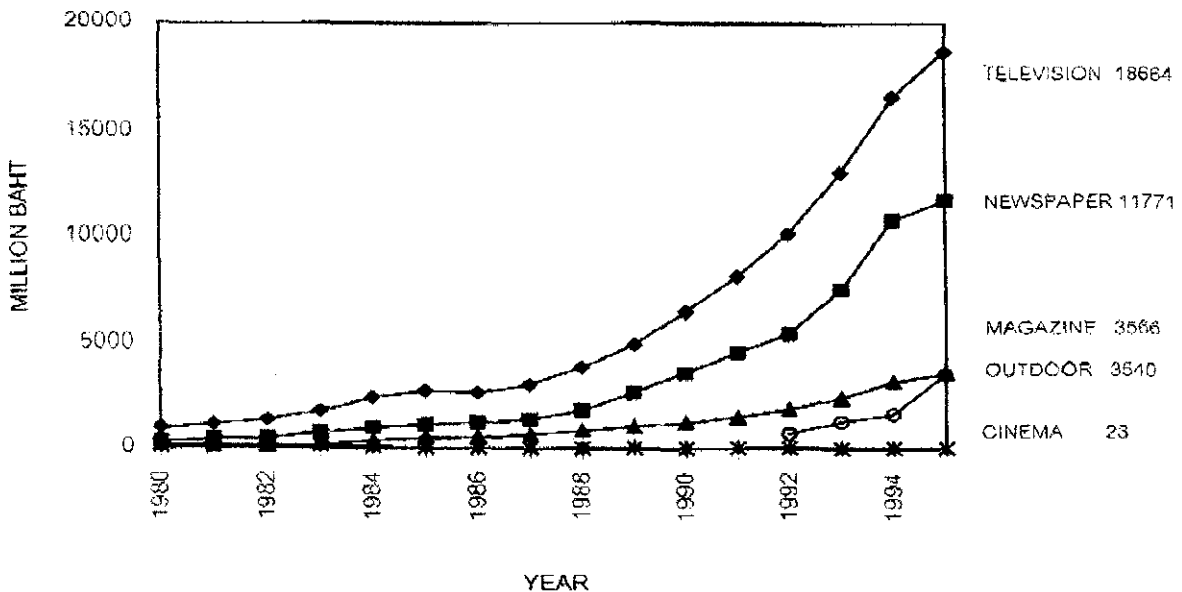


Figure 3: Import Value of Consumer Goods

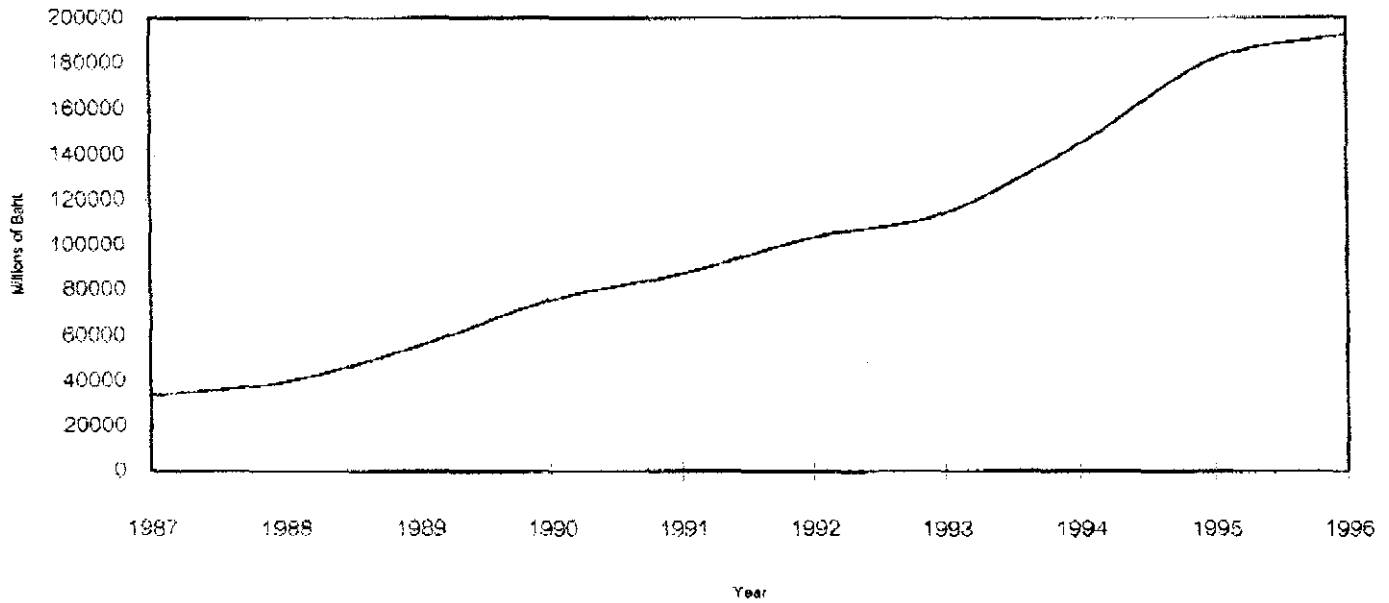
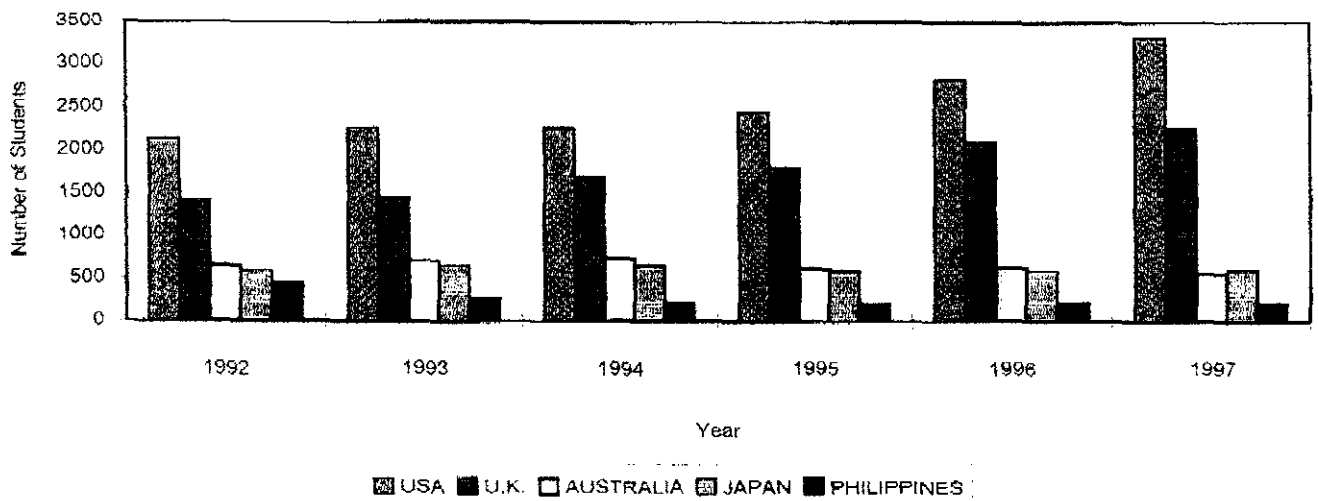


Figure 4: The Number of Students under the Supervision of the Civil Service Commission Studying Abroad



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