

Baht, Borders, and Balance: A New Era in Thailand's Economy

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Abstract

Thailand enters 2025 navigating a fragile yet opportunity-filled economic environment, one shaped by low inflation, a mild recessionary gap, and escalating external pressures, ranging from U.S. global tariffs to regional geopolitical tensions. Despite a steady post-pandemic recovery in areas such as GDP growth and unemployment, Thailand's strengthening baht has been slowing down exports and weakening tourism, which continues to strain its traditionally export-driven/inflow-heavy economy. This paper assesses Thailand's current macroeconomic conditions and argues that a coordinated expansionary monetary-fiscal policy, combined with a more structured exchange-rate framework, presents the most effective path towards stabilizing short-term demand and fostering long-term resilience. Lowering the policy rate, expanding public investment, and shifting budget priorities towards increasing infrastructure, logistics, and green innovations would stimulate aggregate demand while raising future productive capacity. Simultaneously, deepening regional integration through the ASEAN Economic Community and strategically developing the Bio-Circular-Green (BCG) and electronic vehicle (EV) sectors would diversify Thailand's trade base and reduce reliance on external supply chains. This paper ultimately recommends a policy mix that embraces flexibility, green industrialization, and regional connectivity, positioning Thailand not merely to withstand current global tensions but to emerge as a more independent and competitive leader in Southeast Asia's evolving economic order.

Keywords: Economics, Macroeconomics, Thailand Macropolicy, Thailand Economic Outlook, Policy Recommendations, ASEAN Economic Community

1. Introduction

From its golden temples to its hyperactive street markets, Thailand proudly lives up to its moniker: the “Land of Smiles.” Yet, behind its vibrant culture lies a delicate economic balancing act. In 2025, Thailand stands at a crossroads between global recovery and regional turbulence. The nation's post-pandemic growth shows signs of resilience; however, a low inflation rate, a strengthening baht, and added tariff pressures from the United States reveal something more profound than just “Moo Ping” and sticky rice on the side of Khao San Road. A country deeply reliant on export surpluses and tourism continues to adapt to a transforming world economy marked by shifting trade alliances, geopolitical tensions, and the persistent effects of the COVID-19 pandemic. As legislators grapple with emerging challenges, Thailand's next moves in monetary, fiscal, and trade policy will determine whether the country remains stable in a volatile global market or redefines itself as an economic leader in Southeast Asia. To achieve this, Thailand should adopt further coordinated expansionary monetary and fiscal policies, a structured floating exchange rate, and deeper regional economic integration. Because the country has low inflation, a recessionary gap, and exposure to external trade shocks, these coordinated policies are the most effective way to restore short-term stability while strengthening long-term independence.

This paper examines Thailand's current macroeconomic conditions and evaluates how monetary, fiscal, trade, and exchange-rate policies can respond to the country's low inflation, minor recessionary gap, and external

vulnerabilities. In particular, it focuses on whether coordinated expansionary policy, deeper ASEAN integration, and a more structured floating exchange rate can support short-term stabilization while also strengthening long-term resilience and competitiveness. Thailand is an especially useful case study because its open, export-driven economy is exposed to multiple overlapping pressures, including tariff shocks, tourism dependence, currency appreciation, and regional geopolitical tensions, making it a strong example of how domestic policy must adapt to broader regional and global economic uncertainty.

2. Methodology

This paper uses a qualitative case study and policy analysis approach to examine Thailand's macroeconomic position in 2025. Rather than relying on original econometric modeling, the study synthesizes recent macroeconomic indicators and policy developments to evaluate how Thailand's monetary, fiscal, trade, and exchange-rate policies respond to current domestic and external pressures.

The source selection process prioritized recent and authoritative material, particularly official databases and policy statements from the IMF, the World Bank, the Bank of Thailand, ASEAN, and the WTO. These sources were used to assess core indicators such as GDP growth, inflation, unemployment, current account balance, and exchange rates. Policy announcements and government spending measures were drawn from Thai Public Relations and Reuters, while news coverage from outlets such as The Nation and Khmer Times was used only where it provided timely context on tariffs, border tensions, and labor flows. The analytical framework combines standard macroeconomic tools, including aggregate demand and aggregate supply analysis, exchange-rate theory, comparative advantage, and regional integration, to assess whether Thailand's current policies are sufficient to address both immediate economic weaknesses and longer-term competitiveness.

3. Current Macroeconomic Conditions and Macropolicies

Based on the latest available macroeconomic data, Thailand is experiencing a minor recessionary gap due to low real GDP growth, low inflation, recent tariff policies, and remaining vulnerabilities in the post-COVID-19 era. Thailand's current inflation rate stands at just under one percent, marking the end of a steep decline since the pandemic. In conjunction with a recovering GDP growth rate (approximately 1.9%), both economic factors show signs of recovery from the impact of the coronavirus (IMF, 2025). With that, Thailand continues to have a healthy unemployment rate of under 2%. Examining the graph data, it appears that Thailand has been hovering around the natural rate of unemployment since 2010, with a slight peak in 2020, indicating a minor recessionary gap that is moving toward the long-run equilibrium. Additionally, a 'The Nation' (Thailand) business article attributes current recessionary signs to current steep tariff rates between ASEAN countries and the United States, with 12-15% of Thailand's total exports going towards the U.S. (nationthailand, 2025). Lastly, 'The Nation' attributes Thailand's minor gap to stem from a decline in tourism from the pandemic, which remains one of the country's most significant economic dependencies. Although tariff rates have worried every country about import and export revenue, in Thailand, they have prompted the country to broaden its trade agreements as the Thai baht continues to strengthen against the dollar.

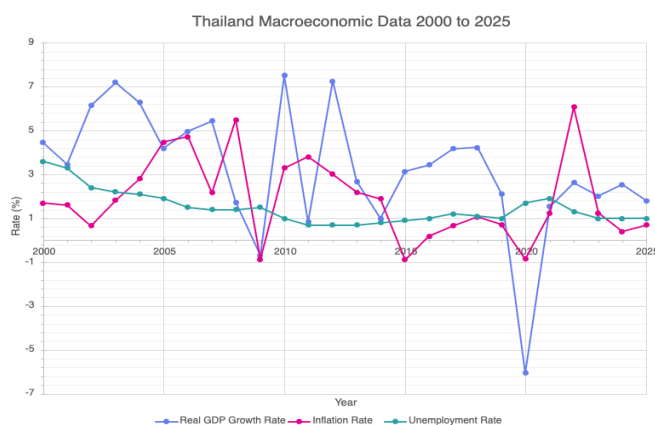


Figure 1. Thailand's macroeconomic trends, 2000–2025. The blue line shows real GDP growth, the pink line shows the inflation rate, and the teal line shows the unemployment rate. Together, the graph illustrates Thailand's changing macroeconomic conditions over time, including periods of strong growth, low inflation, and labor market stability, as well as the sharp disruptions associated with economic shocks such as the COVID-19 period (IMF, 2025).

With President Trump's tariffs in the mix, Thailand has broadened its FTAs with neighboring countries, the EU, and BRIC countries. Simultaneously, Thailand's strengthening baht poses a threat to exports and tourism, shifting the balance of future trade. According to Krungsri Bank, researchers highlighted the expansion of Thailand's trade network amid changes in U.S. tariff rates. Notable additions include FTAs with Sri Lanka, the UAE, and the European Union. Additionally, Thailand joined the BRICS group as an allied partner with the goals of achieving membership (Krungsri Bank, 2025). The trade expansion is reflected in the macroeconomic graph, which shows Thailand's current account balance surplus as a percentage of GDP shifting from 2022, indicating that exports exceeded imports (IMF, 2025). Finally, using the same IMF macroeconomic data, the baht has steadily strengthened over the past few years, with Reuters reporting an 8% increase against the dollar in 2025 (Siring & Staporncharnchai, 2025). A stronger baht may reduce export revenues, as foreign buyers may find Thai goods less affordable due to higher prices. The exchange rate also threatens tourism, as foreigners may be less inclined to travel to the "Land of Smiles" because their dollars now have less purchasing power. Furthermore, ongoing conflicts with neighboring countries, such as Cambodia, may put Thailand's economy at increasing risk.



Figure 2: Thailand's international trade data, 2000–2025. The green bars show Thailand's current account balance as a percentage of GDP, using the left axis, while the orange line shows the exchange rate in USD per baht, using the right axis. Together, the charts illustrate how shifts in Thailand's external balance have changed alongside movements in the baht over time (IMF, 2025; World Bank, 2025).

The summer of 2025 highlighted flared tensions between the borders of Thailand and Cambodia, leading to violence and bombings. This conflict affects Thai trade relations with Cambodia, leading to a decline in Thai exports, increased property costs, and significant shifts in tourist and migrant worker flows. Cambodia instigated import bans that protect goods in which it has a comparative advantage. The first half of 2025 saw the country import a total of \$1.45 billion in fruits and vegetables; however, \$9.6 million of these imports came from Thailand, indicating that a total ban on Thai goods is highly possible (Horng, 2025). Secondly, the Thai government estimates initial financial damages at more than 10 billion baht (\$308 million), as a result of property damages and evacuations from just a week of violence. Additional charges resulting from border disruptions, which impact bilateral trade and could cost the country around 40 million baht per month (\$1.2 million) (Kamoltrakul, 2025). In addition, deteriorating border

security reduces overall tourism on both sides, affecting both countries. The concern is also the number of migrant workers who come from Cambodia. In 2024, approximately 1.2 million Cambodian workers were employed in Thailand, providing a substantial source of labor for vital sectors of the Thai economy and sending roughly \$1 billion in remittances back to Cambodia. If further political tensions arise, it could trigger the return of many of these workers, reducing Thailand's available labor supply and limiting output in industries that rely heavily on migrant workers. Such disruptions could increase production costs and weaken economic activity in affected sectors. Simultaneously, a decline in remittance inflows would reduce household income in Cambodia, limiting consumption and making it more difficult for indebted families to meet loan obligations (Horng, 2025). Therefore, a political dispute along the border has the potential to create economic spillover effects that extend beyond trade, affecting labor markets, domestic production, financial flows, and household debt levels in both countries. Overall, the border conflict raises reasonable concerns about the economy's health, as it introduces a layer of volatility, particularly amid the current harsh global trade conditions imposed by the United States. Simultaneously, as external tensions deepened and trade uncertainty mounted, attention turned inward to how Thailand's own economic institutions would respond.

In Q2 of the 2025 fiscal year, the Bank of Thailand shifted towards a minor expansionary monetary policy by decreasing the policy rate (the interest rate on short-term loans between banks) by 0.25 percentage points (2.00 to 1.75) as a precaution against the overwhelming volatility of the global trade economy due to U.S. tariffs. Although the central bank of Thailand uses all three main tools of monetary policy, the policy rate is the most critical, as it is

adjusted several times a year to steer overall interest rates and demand. While useful, open market operations (OMOs) are used daily to maintain liquidity, and the reserve requirement is rarely changed. In April 2025, five of the seven members on the Monetary Policy Committee (MPC) voted in favor of decreasing the policy rate. The MPC cited uncertainty in global trade and projected that the Thai economy would grow at a slow 2% (Monetary Policy Committee, 2025). However, if trade tensions intensify and U.S. tariff rates increase, this number could fall to 1.3%. Considering the country's economy is still reeling from the pandemic's toll on overall tourism, members of the MPC chose to enforce a precautionary policy, as the future of global economies remains uncertain. Lastly, this expansionary policy aligns well with Thailand's current macroeconomic conditions, as its inflation rate is currently just under 1%, reducing the urgency to tighten it and minimizing concerns that the new policy will push the country beyond equilibrium into an inflationary gap (IMF, 2025).

Alongside monetary policy, fiscal policy is another viable tool policymakers can use to boost aggregate demand and support economic longevity through public spending and targeted stimulus. Similar to ongoing monetary policy, in Q2 the Thai government proposed expansionary, supportive fiscal policies aimed at offsetting external shocks from U.S. tariffs and supporting tourism and domestic demand by reallocating funds to projects to counter tariff impacts and by implementing targeted stimulus packages for students, tourism, and competitiveness. In May 2025, Thailand's Prime Minister proposed a 2026 budget bill focused on maintaining an overall budget deficit to ensure stability and support economic recovery (Thai Public Relations, 2025). Of the 3.78 trillion baht budget, approximately 23% is allocated to further investment spending and to support the tourism sector (Thai Public Relations, 2025). Secondly, the Thai government approved an 18.5 billion baht stimulus package to support the economy as it encounters external tariff pressures by paying student loans and enhancing 'economic competitiveness,' and aims to reimburse families of those who have passed away in Thailand's conflict with its neighbor, Cambodia (Reuters Staff, 2025). Lastly, Thailand's Cabinet approved 157 billion baht in infrastructure spending for water management, transportation/tourism development, and reducing the impact of tariffed exports (Thai Public Relations, 2025).

4. Macropolicy Recommendations and Refutations

Given Thailand's low inflation rate (just under 1%) and modest GDP growth rate (approximately 2%), the Bank of Thailand (BOT) is justified in employing expansionary policies during this minor recessionary gap. However, the strength of the Thai baht (an appreciation of 7-8% in 2025) remains a threat to exports and tourism, two of Thailand's leading sources of foreign inflows. To combat this, the BOT should lower its policy rate (discount rate) even more, below 1.75%. This adjustment, as Thailand's primary monetary tool, would be an effective and appropriate measure to stimulate further growth. The rise in inflation beyond Thailand's current 1% rate, driven by a lower policy rate, can be beneficial for most developing countries, as it signals economic growth, albeit at a moderate rate. Moreover, increasing the money supply would further depreciate the currency, aiding exports and tourism. This is because a depreciating currency makes goods cheaper for foreigners, which in turn increases exports and tourist numbers, thereby boosting the economy.

On the fiscal side, Thailand's budget allocation, focused on tourism, student loans, and short-term relief, stimulates demand but lacks any long-term impact. In turn, the Thai government needs to deepen production capacity in key sectors by redirecting part of the 3.78 trillion baht budget towards capital deepening and green training. Specifically, instead of throwing in approved expenditures that only act as a band-aid for current tariff concerns, the government should spend at least 10% of the budget on additional trading logistics (such as ports, production infrastructure, and digital trade projects that help more rural exporters transition to mobile e-commerce) to increase long-term trading potential productivity.

Naturally, a concern with further reducing Thailand's policy rate below 1.75% is the possibility of creating excess cash in the market. When interest rates fall, borrowing becomes cheaper, which can stimulate aggregate demand (AD). However, if demand rises too quickly, it could push the aggregate market beyond long-run aggregate supply (LRAS), leading to a demand-pull inflationary gap. Additionally, low interest rates can lower bank profits and encourage speculative borrowing in asset markets, leading to asset prices that exceed their intrinsic value and creating an asset bubble.

Nevertheless, these risks are relatively minimal in Thailand's current macroeconomic context. Inflation remains below the central bank's target of 1-3%, indicating some room in the economy, while output is below potential GDP (Monetary Policy Committee, 2023). In other words, Thailand is currently in the aforementioned recessionary gap, specifically where additional expansionary policy is appropriate. Furthermore, a lower policy rate would cause the Thai baht to depreciate, as lower interest rates decrease foreign capital inflows and make the baht less attractive to foreign investors. In international economics, this is beneficial for net exports (NX) because a weaker currency makes Thai goods and services cheaper for foreigners. Given that exports and tourism account for a significant portion of Thailand's primary income, the depreciation would stimulate these sectors, thereby further supporting economic recovery.

Fiscally, critics might argue that shifting spending away from short-term relief, such as student loan forgiveness or household aid, and toward infrastructure development could reduce short-run aggregate demand (SRAD), thereby slowing the immediate economic recovery. Infrastructure projects often require time to plan and execute, resulting in a lag before their effects are felt. Additionally, large public works projects can lead to significant budget deficits and increased overall public debt, especially when funded through borrowing. There is also the risk of the crowding-out effect, where increased government spending raises interest rates and reduces private investment.

However, from a macroeconomic growth perspective, infrastructure investment expands aggregate supply (AS) in the long run by improving productivity and lowering production costs. In Thailand's case, investment in logistics, transportation, and digital trade infrastructure increases productive capacity, shifting LRAS to the right. This rightward shift leads to sustainable, non-inflationary growth. There is also the concept that one baht spent on building long-run infrastructure produces more than one baht of total economic output in the future. Lastly, investing in digital trade and e-commerce logistics enhances international competitiveness, enabling Thai exporters and SMEs to access new markets more effectively. These projects also align with Thailand's long-term development goals under the Thailand 4.0 policy, which seeks to transition the economy toward high-tech and value-added industries (Paul, 2025).

5. Current Trade Policies and Policy Recommendations

One of Thailand's current trade policies is regional economic integration through the ASEAN Economic Community (AEC) (WTO Secretariat, 2021). The Association of Southeast Asian Nations (ASEAN) was established in 1967 by its founding members: Indonesia, Malaysia, the Philippines, Singapore, and Thailand. Later on, Brunei, Vietnam, Laos, Myanmar, and Cambodia would join on subsequent dates, with the latest in 1999, making up the final ten member states of the AEC (Association of Southeast Asian Nations, 2025). The AEC falls somewhere between a Free Trade Area (FTA) and a Common Market, since it has nearly eliminated all tariff barriers among member nations; however, nations still retain individual policies toward non-members, so it is not necessarily a Customs Union. On the flip side, it resembles a Common Market by promoting the free movement of resources (goods, services, investments, and some skilled labor) (Association of Southeast Asian Nations, 2025). In the AEC, the goal is to achieve complete economic integration, with a focus on supporting small and medium-sized enterprises. Currently, through the AEC, Thailand has established and maintained trade relations with prominent international producers, including South Korea, Japan, Australia, the United States, and Canada.

The other trade policy currently in effect is the industrial trade policy, implemented through two emerging industries: the Bio-Circular-Green (BCG) economy and Electric Vehicles (EVs). Firstly, the BCG economic model is reshaping Thailand's export strategy. By leveraging its rich biodiversity and agricultural strengths, Thailand is integrating biological resources, core principles of the circular economy (minimizing waste and optimizing resource efficiency), and various green technologies to drive sustainable development that aligns with the United Nations' SDG goals. The Ministry of Higher Education, Science, Research, and Innovation has projected that the BCG model will encompass around \$137 billion by 2025, which is approximately a quarter of the national GDP (PR News Nation Thailand, 2025). Secondly, the EV sector is rapidly emerging as a key driver of Thailand's export potential, with the country now aiming to position itself as the leading EV exporter in the AEC. Backed by \$4.2 billion in Board of Investment-approved projects, the country has a production capacity of 386,000 EVs and expects EVs to account for 15% of total new vehicle sales. Additionally, by 2026, Thailand is expected to export approximately 52,000 EVs,

enabled by its strategic ASEAN location, government incentives and policies, and strong automotive supply chains (PR News Nation Thailand, 2025).

Looking ahead, Thailand should strengthen its regional integration and industrial trade strategies to enhance competitiveness beyond short-term tariff troubles. Within the ASEAN Economic Community (AEC), the Thai government should launch a regionalization program for Thai SMEs to help them navigate international trade documentation and paperwork, thereby accelerating domestic SME growth by providing subsidies for digital trade. Additionally, to advance the AEC toward a fully integrated common market, Thailand should lead efforts to establish mutual recognition agreements for labor and professional qualifications across ASEAN. Such agreements would make it easier for skilled workers to transition across borders, help reduce labor shortages in key sectors, and strengthen Thailand's regional competitiveness by allowing domestic firms to access a larger pool of increasingly qualified talent. However, the country should also recognize that greater labor mobility may encourage some skilled Thai workers to seek higher wages and better opportunities in other ASEAN countries. Even so, the overall effect of mutual recognition would likely support regional efficiency and economic integration while improving Thailand's long-term labor market resilience.

For industrial trade policy, the Bio-Circular-Green (BCG) model should transition from concept to implementation by increasing public R&D funding and establishing technology centers in rural areas to help local farmers adopt green technologies. In the EV sector, Thailand should reduce its dependence on Chinese technology by offering grants and tax incentives to both foreign and domestic firms that establish EV component/battery production facilities in Thailand. Expanding supply chain diversification by establishing agreements with Japan, South Korea, and the EU would also strengthen the Thai EV market's resilience to global market volatility. In the long run, combining BCG and EV initiatives through a Green EV policy (promoting domestically produced EVs powered by locally sourced bioenergy) would cement Thailand's leadership in the AEC as a green and manufacturing powerhouse.

6. Recommended Trade Policy Refutations

Firstly, some economists might argue that deeper integration into the AEC could make Thailand overly dependent on regional trade partners, thereby making the country more susceptible to external shocks from nearby economies. For example, if another member country enters a recession or experiences political instability, Thailand's exports could suffer due to reduced demand in the region. Moreover, moving toward a common market within ASEAN requires harmonizing regulations, labor mobility, and standards; challenging goals given the economic diversity across member countries.

Despite this, regional economic integration provides crucial benefits in the context of international trade. According to the theory of comparative advantage, countries gain when they specialize in goods where they have lower opportunity costs. ASEAN integration enables Thailand to capitalize on its comparative advantage in industries such as agriculture, automobiles, and tourism, while importing goods that other members produce more efficiently. Additionally, by deepening ASEAN connections, Thailand reduces its dependence on the U.S., a country frequently involved in trade disputes that create global uncertainty. Further ASEAN integration would strengthen intra-regional trade, stabilizing supply and demand chains, and provide a buffer against tariff shocks. As a founding member of ASEAN, Thailand also gains political capital and influence in shaping trade rules, which supports long-term national interests.

Secondly, the BCG and EV industries are central to Thailand's industrial trade strategy, but heavy investments in these areas could pose short-term risks. Critics may argue that focusing too much on emerging industries diverts vital resources from traditional sectors, such as agriculture and textiles, which employ a large portion of Thailand's labor force. There is also the danger of technological dependency, as Thailand currently relies on foreign technology, specifically from China, for EV batteries and components. This dependency could limit domestic added value and make the country vulnerable to external supply shocks.

Nonetheless, these policies reflect a structural shift toward sustainable, innovation-driven growth, consistent with the idea that technological progress (ie, economic growth) is an outcome of investment in human capital and research and development. Also, government support for the BCG initiative would help internalize positive externalities from

environmental protection and innovation, benefits that markets alone would underprovide. Meanwhile, encouraging domestic production of EV parts through tax incentives and subsidies would foster import substitution and build a self-sustaining industry. By diversifying into green technologies, Thailand can boost its export revenue and attract foreign investment, thereby strengthening its position in the global supply chain. Over time, this transition can raise living standards, create a skilled labor force, and reduce Thailand's dependency on minimum-wage manufacturing, positioning the country as a global leader.

7. Current Exchange Rate Policy and Policy Recommendations

Thailand operates a dirty floating exchange rate, in which the Bank of Thailand (BOT) allows the market to freely determine the value of the Thai baht against neighboring currencies. However, it stands prepared to intervene occasionally to curb excessive swings. Thailand explicitly states that it employs a dirty float, using a floating exchange rate with intervention measures in place (Monetary Policy Committee, 2023). Primarily, the BOT determines when to intervene by comparing the baht's valuation against its Southeast Asian counterparts and the U.S. dollar (Thaichareon & Sriring, 2025). In recent months, the Thai baht has risen to its strongest in over four years. Specifically, the baht strengthened by approximately 7–8% in 2025, placing pressure on exports and tourism, two of Thailand's primary sources of inflows (Business Nation Thailand, 2025). Sanguan Jungsakul, senior director for money and capital markets at Krungthai Bank in Bangkok, attributed the sharp rise to “the continued rally in gold prices, expectations of a Fed rate cut in September amid signs of a US economic slowdown, and greater political clarity in Thailand following the formation of a new government.” (Business Nation Thailand, 2025). Consequently, in September 2025, the BOT chose to intervene in the foreign exchange market when the baht stood at 31.87 per dollar, by selling the Thai baht, as showcased by the increase in foreign reserves, to increase the supply of Thai baht in the foreign exchange market (Thaichareon & Sriring, 2025). Since then, the Thai baht has depreciated to around 32.6 baht per dollar on the buy side and 32.95 baht per dollar on the sell side, indicating the slight success of government intervention. However, the BOT and the Thai government remain vigilant as they continue to manage the exchange rate amid economic volatility (Financial Market Data Team, 2025).

Thailand's dirty float remains relatively well-suited for an open, export-driven economy, as it allows market forces to operate freely while allowing the BOT to intervene when necessary. However, it relies heavily on maintaining and using reserves, which could become costly in the long run. The September 2025 intervention, which involved selling baht to weaken the currency from 31.87 to 32.95 per dollar, was effective. Regardless, continued interventions of that scale could become fiscally expensive and distort relative prices if used too frequently. Moving forward, the BOT should limit direct interventions to cases where the baht appreciates/depreciates by more than a certain percentage within a short window (e.g., 5%), thereby showcasing a method-based and transparent approach.

Additionally, rather than relying primarily on selling the baht and building reserves, Thailand should diversify its reserve holdings beyond the baht and U.S. dollars by increasing holdings of strong currencies, such as the yuan, yen, and euro. This diversification would reduce its dependency on a single anchor currency, thereby increasing the economy's stability to external shocks. At the same time, the BOT should coordinate interventions with fiscal timing. For example, conducting foreign exchange operations with government spending cycles to avoid reinforcing appreciation pressures.

Another recommendation is for the BOT to allow mild appreciation during periods of strong global demand rather than resisting every single rise in the baht's value. A gradual, FX market-driven appreciation helps minimize import inflation, as Thailand can import foreign goods at a lower cost. This could also signal increased investor confidence while saving reserves for true crises. To ensure that domestic exporters are cushioned, the BOT should offer temporary ‘exchange-rate insurance’ or small subsidies for small exporters. Together, these measures maintain the benefits of Thailand's dirty float, reduce long-term costs, and preserve small export businesses.

8. Recommended Exchange Rate Policy Refutation

Critics of the recommendation on exchange rate policy might argue that limiting interventions to large fluctuations

(e.g., 5%) could increase short-term volatility, discourage investment, and complicate trade contracts. Moreover, diversifying reserves across multiple currencies (for instance, the yuan, yen, and euro) might reduce the liquidity of Thailand's foreign reserves during crises, since the dollar remains the dominant reserve currency.

Still, this proposed policy change promotes transparency and predictability, which are critical for maintaining investor confidence in open markets. A dirty float, in which the central bank occasionally intervenes, allows market forces to determine the exchange rate most of the time, preventing long-term price distortions. Frequent and unpredictable interventions by the central bank can spark speculative activity, in which investors assume the central bank will always stabilize the currency. By setting clear intervention thresholds, the BOT can maintain credibility and conserve its foreign reserves for real crises. Allowing mild appreciation during periods of global demand aligns with the purchasing power parity (PPP), helping Thailand control import inflation whilst simultaneously signaling economic strength. Lastly, offering exchange rate insurance to small exporters mitigates the short-term risks of exchange rate volatility that the aforementioned critics argued for, ensuring that the benefits of flexible exchange rates outweigh the costs.

9. Conclusion

As Thailand stands at the intersection of recovery and reinvention, its legislators face the challenge of balancing immediate stability with long-term adaptation. The nation's minor recessionary gap, lingering post-pandemic vulnerabilities, and global trade pressures underscore the importance of well-coordinated macroeconomic strategies. Lowering the policy rate and maintaining an expansionary fiscal stance offer the short-term stimulus needed to repair the damage, while investments in infrastructure, trade integration, and emerging green industries lay the foundation for sustainable growth. Simultaneously, Thailand's commitment to a transparent, structured exchange rate system ensures credibility in the eyes of global investors and resilience against external factors. Overall, while each recommendation carries inherent risks, the balance of evidence supports the reasoning for each implementation, given Thailand's current economic condition. Expansionary policies, both monetary and fiscal, are justified by the country's low inflation and recessionary gap. Deepening regional integration and industrial diversification address long-term structural vulnerabilities, while a structured and forthright exchange rate strategy promotes credibility and stability. When coordinated effectively, these policies can move Thailand toward sustainable growth, structural strength, and greater independence within the leading global economy.

In a global market defined by volatility, Thailand's success will depend not on resisting change or putting a band-aid on setbacks, but on mastering adaptability and transforming today's struggles into tomorrow's fruitful opportunities. Thailand will emerge not merely as a lone survivor of uncertainty, but as a leader in the Southeast Asian economy.

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