

THE IMPACT OF THE RUSSIA-UKRAINE CONFLICT ON THAILAND'S ECONOMY IN 2022

Manuscript Submission Data: 2022, April 28

Article Editing Date: 2022, July 9

Article Accepted Date: 2022, July 30

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ABSTRACT

The global economy is unpleasantly affected by numerous determinants at present. Besides the COVID-19 pandemic, one of the main factors is the Russia-Ukraine war including international sanctions of several countries against the Russian Federation. Definitely, the Kingdom of Thailand is also directly and indirectly affected. This paper examines the impact of the Russian-Ukraine conflict on the economy in Thailand in 2022 by using comparison of information, data, statistic and forecast from the number of domestic and international researches conducted before the conflict of Russia and Ukraine with those during the conflict. Russia's war in Ukraine is likely to be continuing; it causes higher prices of energy, commodities and food. It affects the Thai economy with decreasing economy growth, higher inflation, sensitive Thailand's imports and exports, supply chain disruption, quiet tourism industry, and weak Thai currency. The terrible effects reach the poor consequence to the Kingdom of Thailand and worldwide. On the other hand, there are several positive effects for some groups of people and businesses who have effective adaptation as a coin has two sides.

Keywords: Thailand, economy, conflict, Russia, Ukraine, war, negative effect, positive effect.

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INTRODUCTION

On Thursday 24th February, 2022 Russian President Vladimir Putin commanded to start invasion of Ukraine. He ordered to attack by air and land with missiles, troops and tanks in the capital of Ukraine and other areas. Ukrainian President Volodymyr Zelenskiy promptly reacted by signing a decree on the general mobilization of the population in the invasion of Russia (Reuters, Online, 2022 b). The situation seems to be worse. The properties have been destroyed. A large number of soldiers and civilians have died. It becomes a global crisis which decreases economy around the world including the Kingdom of Thailand. It causes serious economic problems for South East Asia, Europe and the world.

According to the ASEAN statistic number in 2020 (Ministry of Tourism & Sports, Online, 2021), Russia was the 11th largest ASEAN trade partner with two-way trade at US 13.6 billion. The top goods which imported from Russia Federation to ASEAN during 2020 were mineral fuels, mineral oils and products of their distillation; bituminous substance; mineral waxes with the value of million US\$ 3,987.9. The other top goods were iron and steel, fertilizers, cereals, fish and crustaceans, and aluminum respectively. On the other hand, the top commodity which ASEAN exported to Russia Federation in 2020 were electrical machinery, equipment and parts of sound recorders and television image with the value of million US\$ 2,142.3. The other top goods were animal or vegetable fats and oils, nuclear reactors, boilers, machinery, mechanical appliances, and rubber.

The leading global macroeconomic model called NiGEM presents that the conflict of Russia and Ukraine can lead up to 3 percent to global inflation in 2022 and more in year 2023. In addition, it will lessen the global Gross Domestic Product or GDP about 1 percent which is approximate USD 1 trillion off global GDP (Liadze, Macchiarelli, Mortimer-Lee, & Juanino, 2022). Similarly, Thai inflation is higher. European countries have been affected more than Asian countries as these two countries are key suppliers who produce a large number of commodities; for example, oil, gas, iron, metals, wheat, corn and fertilizers. Thailand is reliance on oil as the nation is limited on production of domestic oil. However, Ukraine is not the main commodity supplier to Thailand, therefore, it does not play a significant role to the nation.

OBJECTIVES

The purposes of this study were to analytically examine the impact of the conflict of Russia and Ukraine on the Thai economy with comparison data, statistic, forecasts and concise information. This paper additionally provides the causes and the negative and positive effects on

the declining economy in Thailand. As a result, effective adaptation and well-planned preparation for business administration and management and unstable future lives for the Thai entrepreneurs and Thai people should be arranged respectively.

THAI-RUSSIAN RELATIONS: HISTORICAL, DIPLOMATIC AND CULTURAL ASPECTS FROM THE PAST TO THE PRESENT

The first Russian visit to Siam dated back to February 19th, 1863 by the two Russian ships. On the special occasion of the Chakri Dynasty's the Centennial Celebration in 1882, the Russian naval squadron visited Siam. In 1888 P.Schurovskiy, the Russian musician composed the Siam national anthem which was used until 1932. (Embassy of The Russian Federation, Online, n.d. a).

There were important historical records in Russian and in Thai language on the Russian-Thai relations (1863-1917) in the collection of Archival Documents and the Diary of Prince Esper Ukhtomsky. On the special occasion of the one-hundred anniversary of the establishment of the Russian-Thai diplomatic relations, this collection was published in both languages. It was organized by the Ministries of Foreign Affairs and State Archives of Russia Federation and the Kingdom of Thailand (Ostrovenko, 2004).

In addition, the close relationship became great royal friendship when His Royal Highness Siamese Prince Damrong went to Livadia or Crimea nowadays. His Majestic Russian Emperor Alexander III gave an audience to him in 1891. In the same year Russian Crown Prince Nikholas came to Bangkok. In 1896 His Royal Highness Siamese Prince Chira was invited to attend the Coronation Ceremony of His Majestic Emperor Nikholas II. Since then, the Thai royal family members and state officials have visited Russia for education, cultural exchange, bilateral relations and diplomatic mission (Embassy of The Russian Federation, Online, n.d. a).

In the reign of King Chulalongkorn on July 2-10, 1897, King Rama the fifth paid a visit in Russia and established more diplomatic relations. Later, in 1899 in St. Petersburg King Rama V and Tsar Nicholas II signed the Treaty of Friendship and Maritime Navigation. The King sent his second son, Prince Chakrabongse to study the military training in Russia. The Prince led the way for royal and noble families to have education in Russia universities. The development of diplomatic, political and cultural relations of the two nations have extended until now (Ostrovenko, 2004). The first Russian Consulate-General was open in Siam on April 14th, 1898. Nowadays the Russian Embassy in Thailand is located in Surawong, Bangkok. (Embassy of The Russian Federation, Online, n.d. a).

In the past there were several Thai Prime Ministers visiting in Russia; for example, General Prem Tinsulanonda and Mr. Thaksin Shinavatra. Conversely, Russian President Vladimir Putin paid an official state visit to Thailand and met His Majesty King Bhumibol Adulyadej in October 2003. The current Thai Prime Minister General Prayuth Chan-o-cha officially went to Russia to have the meeting with Russian President Vladimir Putin in May 2016.

During the war, a few countries in South East Asia responded to Russia, but not Thailand. It shows that Thailand has warm relations with Russia and would not like to break the long-standing relations. Obviously, Thai Prime Minister Prayut mentioned that the Thai government would remain neutrality in the war (Bangkok Post, Online, 2022).

ECONOMIC GROWTH

In January 2022 the recovery of the Thai economy growth was led by exports, business activities, no-more lockdowns from the COVID-19 pandemic and consumption spending. The economic growth was expected to be 3.0-3.5% (Bhaopichitr, Online, 2022). Unfortunately, the conflict of Russia and Ukraine happened in February 2022, as a result the figures are lower than the expectation of the research.

There are numerous reliable sources which show the forecasts of the Thai economic growth in 2022. Firstly, the study of the University of the Thai Chamber of Commerce (UTCC) showed that rate of the economic growth in Thailand was likely to be 2-3% (Phusadee, Online, 2022). Secondly, Reuters said that at the beginning the Thai economic growth forecast would be 2.5%–4.5%, however, the Russian-Ukraine war causes higher energy prices nowadays. Undoubtedly, Reuters updated on April 5th, 2022, the forecast of the economic growth in Thailand would decline to 2.5%-4.0% (not 4.5%) this year (Reuters, Online, 2022 a).

The negative effects are higher inflation and lower Gross Domestic Product of Thailand or GDP; as a result, Thai consumers pay more for the same food, products and service than in the past. These directly affect to businesses. The customers would like to purchase less and cheaper; therefore, the entrepreneurs need to produce less and sell less to be related to demand. Finally, it can lead to shut down their businesses. It is an economic cycle that after the closed businesses, workers are unemployed. In a worse case, it implies rising robbery and crimes.

The positive effects are that the consumers have more carefulness and awareness for purchasing the food, products and service. These lead them to save money for their risky and unpredictable future. For example, instead of spending money for luxurious lives and eating expensive

food, some consumers have great adjustment for sufficient lives. The Thai government has launched numerous policies for stimulation of the economic growth such as a state welfare card and economy-related projects.

INFLATION

Because of the impact of the Russian-Ukraine conflict, the rate of inflation is expected to soar. Due to the research of UTCC, it figured about 5% (Phusadee, Online, 2022). Furthermore, Reuters forecasted that the inflation of Thailand would be higher to 3.5-5.5% in 2022. Hitting the highest inflation rate within 13 years was in March 2022 (Reuters, Online, 2022 a).

The negative effect is the value of money is less; for example, in the past a dish of stir-fried chicken with basil leaves and rice in a restaurant costed Baht 100, but at present, it costs Baht 130 at the same place. The consumers need to pay more called the purchasing power decreases. People start to avoid eating in fancy restaurants. In addition, expenses for a cost of living are also high such as rental, transportation, water and electricity fees.

There are several positive effects. The samples of changing consumption behaviors are to eat more at local shops than at international brand restaurants. People cannot afford hanging out with friends and coworkers often for shopping or a movie, so they would rather go home and have an inexpensive home-made meal with a family. It creates a family relationship. In a term of business, the business owners use the figures of the inflation rates for a well-organized plan of their future investment. People tend to buy substitute cheaper goods. That means startups or companies will bring up various fine-quality products or service with cheaper prices as an alternative way for purchasers. According to a full-time employee, a salary seems to be higher which is relevant to the high inflation; otherwise, the workers do not want to do a job. It is not worth paying for high transportation fare to go to an office, lunch and social expenses. For a financial aspect, some banks reduce loan interests or extend a period of paying debts in order to help the customers.

ENERGY

According to the Oil Market Report on March 16, 2022, Russia is the largest oil exporter in the world where shipped crude and refined oil products to many countries in the globe. Starting from April 2022, the amount of Russia oil supply would be decreasing; as a result, the world economic growth would drop (International Energy Agency, Online, 2022).

Nowadays one of the principal causes of higher energy prices not only in the world but also in Thailand is the war of Russia in Ukraine. Oil is the primary commodity which is a part of production process. It is used as a raw material in the industrial production (Bloch, Dockery, & Sapsford, 2006). In addition, it is important to operate production machinery, generate electricity and transport the output to trading areas.

The negative effect is to pay more for a gas price for a daily life such as driving a car. Moreover, the oil-oriented companies and industrial factories start to lose money because of rising oil price. The companies need to lay workers off leading to being unemployed or shutting down their businesses. Obviously, an amount of production is reduced which is not balanced for the demand in a market. Due to other occupations, farmers, fishermen and drivers are not worth growing plantation, fishing and driving to earn less for a living respectively. These situations probably cause protests against the government.

Positively, people avoid using gas by using public transportation such as bus, sky train or subway instead. They are likely to order delivery food more than drive a car to eat out. Online shopping and online banking for payment are more popular when the gas price is very peak. This situation can enhance Thai people to use clean energy such as solar, water, wind and biogas which are much cheaper in a long term. They are natural, renewable and friendly for environment and sustainable for a next generation.

THAILAND'S IMPORTS AND EXPORTS

According to database on international trade updated in April 2022, Thailand imports in 2020 (not 2021) from Russia were oils, mineral fuels and distillation products accounting for USD 1.17 billion. Other imports from Russia were iron and steel (USD 173.5 million), fertilizers (USD 167.6 million, cereals (USD 69.95 million) and aluminum (USD 58.06 million) (Trading Economics, Online, 2022, b). In 2020 Thailand exports to Russia were vehicles other than railway and tramway accounting for USD 200.57 million. The other exports from Thailand to Russia were rubbers (USD 98.12 million), machinery, nuclear reactors, boilers (USD 92.27 million), vegetable, fruit, nut food preparations (USD 48.36 million) and electronic equipment (USD 45.12 million) respectively (Trading Economics, Online, 2022, a).

The negative effect is that the nation loses a large number of US. millions in exports to Russia. It is clear that it will disrupt specific industries and provide the shortage linked to Thailand. It heavily causes supply chain disruption. In fact, this drives the provision of national and international

instability. The entrepreneurs have lower business's profit margin. In the worst case scenario, they totally lose profits and shut down their businesses and become unemployed suffering people. It affects to manufacturers, wholesalers, retailers and consumers. However, the country can possibly look for another stable importer to do a long-term business. Fortunately, weak Thai currency attracts other foreign countries to interest in Thai imports. Also, Thai people can support the Thais together by purchasing and consuming domestic products.

TOURISM INDUSTRY

Due to the severe COVID-19 pandemic, the number of international visitors to Thailand have been obviously decreasing. One of the most visitors traveling in Thailand is Russian tourists. The conflict between Russian and Ukraine additionally declines the number of Russian tourists to the Kingdom of Thailand. There were 1,466,457 and 1,483,334 Russian visitors to Thailand in 2018 and 2019 respectively (Ministry of Tourism & Sports, Online, 2021). In 2021 only 30,759 Russian tourists making a journey to Thailand (Ministry of Tourism & Sports, Online, 2022). The statistic illustrates that the number of Russian travelers were decreasing sharply. Because of the President Vladimir Putin's invasion of Ukraine and the low value of ruble, they affect to the whole tourism sector in Thailand including domestic flights, accommodation, transportation, restaurants, local food, exotic fruits and other services. For instance, they needed to pay 30 percent more expensive for staying overnight (Duangdee, Online, 2022). They also have difficulty for paying their journeys to Thai companies or Thai travel agencies because banks in Russia cannot operate transaction related to the SWIFT international payment system being cut off.

The negative effect is to lose income from Russian and Ukrainian tourists. Additionally, the hotels, transportation, restaurants, entertainment places and massage parlors in Pattaya and Phuket are dependent on Russian and Ukrainian travelers. They are losing their jobs. The entrepreneurs are out of business. Russian-speaking Thai tour guides become unoccupied. These people go back to their hometowns, so the major cities for Russian tourism are quiet.

The positive effects are that many hotels are adapted to be state quarantine accommodations. Some hotels focus on food delivery and food for events and seminars. Furthermore, some tour guides change to be a tutor teaching Russian language and work as domestic guides. Fortunately, the government launches many projects to stimulate Thai people to travel within the nation and welcome foreign tourists to come to the Land of smiles.

THAI CURRENCY (BAHT)

According to Kasikorn Research Center, Russia's war in Ukraine and the sanctions of several countries affect the Thai exchange rate. It is expected that by the end of this year the rate of Thai Baht to US. Dollar is weaker and rising about Baht 34 per US. Dollar (Banchongduang, Online, 2022). It decreases the value of Thai Baht.

Even though it is the lower value of the Thai currency, positively, it is a good chance for the farmers or export industries which export to other countries with a better exchange rate. It means the buyers pay less. Foreigners would like to do business and have investment with the Thais during this time.

THAI STUDENTS AND THAI WORKERS IN RUSSIA AND UKRAINE

There are prestigious universities in Thailand which teach Russian language such as Chulalongkorn and Thammasat and Ramkhamhaeng University. Thai students have a great opportunity to study in Russian higher education schools. The Ministry of Education and Science of the Russian Federation provide scholarships to Thai students. In 2018 the Embassy of the Russian Federation in the Kingdom of Thailand chose 34 Thai candidates to study in Russia with various majors such as Russian Literature and Language, Medical and Political Science and Foreign Affairs. On the other hand, there are numerous leading universities in Russia where have taught Thai language, Thai history and culture and Thai economic systems; for instance, the Moscow State Institute of International Relations (University) of the MFA of Russia (MGIMO), St Petersburg University and Far Eastern Federal University (Embassy of The Russian Federation, Online, n.d. b). Besides the Thai students studying in Russia, there are a number of Thai workers who are employed in Russia and Ukraine. Because of this violent war, they are too frightened and miserable to stay there. The Labor Minister Mr. Suchart Chomklin assisted the Thai legal workers to fly back Thailand. Since March 2, 2022 there were 197 Thai citizens who reached the country in total. The Labor Ministry can monitor the number of the Thai laborers as they registered with the ministry. 154 Thai workers were members of the Ministry of Labor who received financial aid about Baht 2.3 million Baht in total (Rujopakarn, Online, 2022). On the other hand, it is hard to keep track how many Thai students have been back to Thailand urgently as they are individual. Unfortunately, they have to find other universities to finish their degrees

CONCLUSION

When Russian President Vladimir Putin's invasion is still continuously attacking in Ukraine, the global economy including the Kingdom of Thailand have been awfully affected. It is likely a global crisis. Thai government and Thai entrepreneurs can support the Thai people by fixing their product and service prices for a moment. If the violent conflict is still prolonged, Thailand's economy will remain declining steadily.

Thailand is an agricultural and developing country which is not powerful comparing to the US. and European countries. The nation does not play an important role to cease the Russian and Ukraine war. Because of this war, the nation additionally has economic recession and rising inflation. The Thai people have expensive commodities and costly food, lack of income, high rates of daily expenses, increasing cost of living, low life quality, a lot of debts and high unemployment ratio. The nation's Gross Domestic Product or GDP is falling showing the shrink of national economy growth. It implies that Thai businesses are turning bad and employees are losing their works. These may cause higher crimes. Therefore, the change of consumer behaviors is introduced and the launch of effective strategies by the entrepreneurs should be operated promptly. From this crisis, those who are able to have the great adjustment, these groups of people can be survivors and gain the positive effects.

Furthermore, the recovery of the Thai economy would be obstructed by the determinants of Russia's invasion of Ukraine. Many people are in trouble and have a lot of pain. It is harder to be employed, earn money and have normal lives during the war. It is affecting not only Russian and Ukraine but in Thailand and in the globe. The war is always tragedy for humanity. This crisis leads to worsen Thai economy in numerous ways. If the war is continuously proceeding, Thai entrepreneurs and Thai people should have deep awareness, adaptation and find some solution for businesses and lives.

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