

Does Foreign Direct Investment Negatively Affect Culture in the Global South? A Case Study in Thailand and Cambodia

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Hypothesis

- Foreign Direct Investment (FDI) negatively affects the ability of countries in the Global South to preserve their culture.
- The implementation of policies that limit the inflow of FDI and control the way in which it is used can help a country protect its culture.

Background

- **Positives of FDI:** Economic growth, employment opportunities, development, infrastructure, technological advancements, etc.
- **Negatives of FDI:** Increased dependence, inequality, competition between foreign and locally funded businesses, environmental degradation, loss of traditional values and traditions.
- **Importance of Culture:** Culture is a collection of beliefs, values, and traditions that are unique to a community.

It is important that cultures be preserved to sustain the well-being of the civilizations who practice them. It is also important because learning them can widen our perspectives, increase our empathy, and inspire us to create solutions to contemporary issues.

- **Why This Perspective is a Hard Perspective:** Information regarding this topic is not easily accessible and culture is hard to measure. Moreover, understanding these perspectives of less wealthy, vulnerable communities who possess non-Western cultures is difficult due to the accumulation of wealth of powerful capitalifer countries.

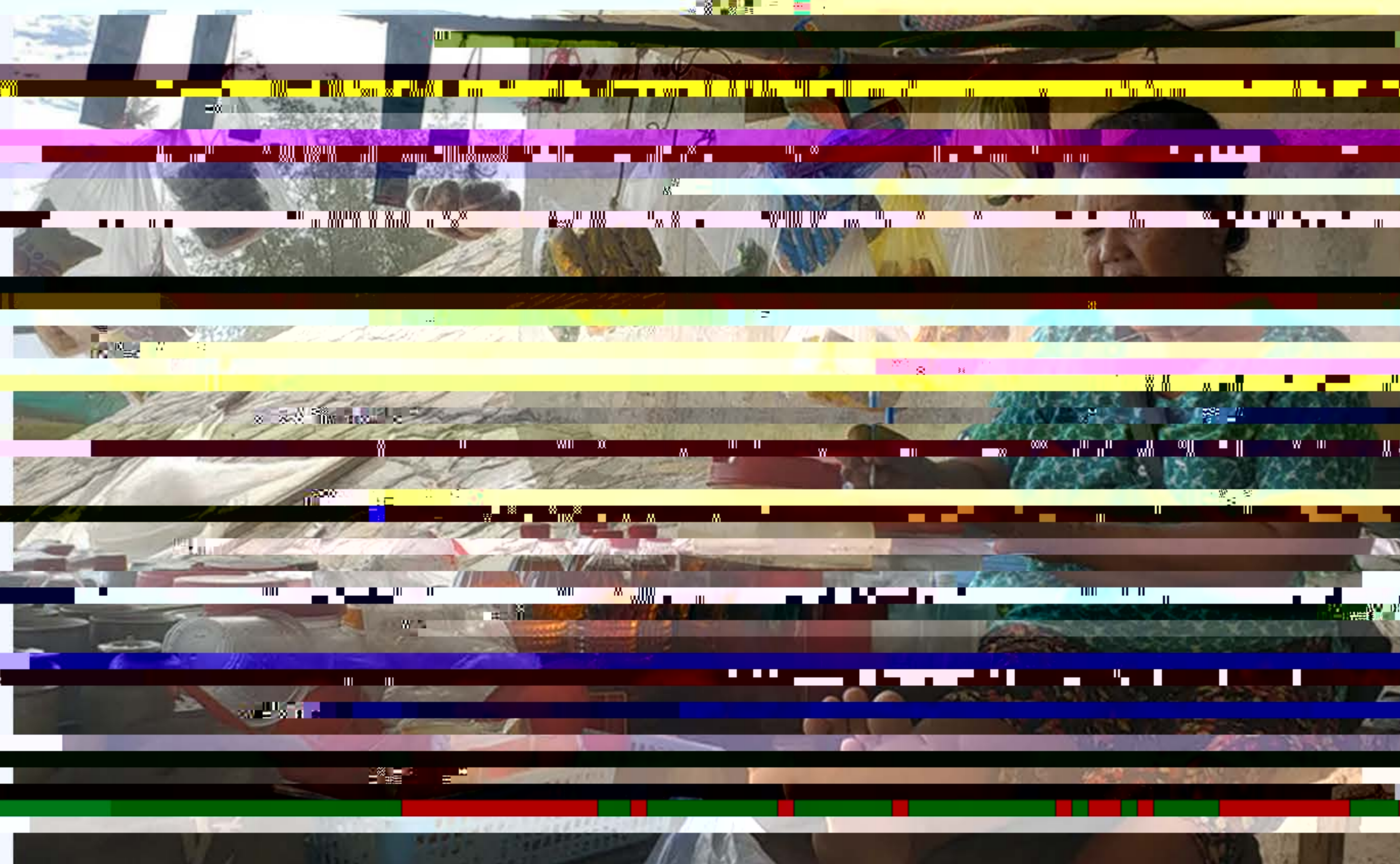
Methodology

Cross-sectional comparative methods of difference. The cases I analyze are Thailand and Cambodia as they reside in the same region, are both highly engaged in the global economy, and have different cultural practices. They differ in their attitudes towards FDI. Thailand imposes stringent regulations and limitations on FDI, while Cambodia does not necessarily accept most FDI and imposes fewer limitations. (Measure of culture: see 'Comparison')

Cambodia

Historically, Cambodia was a part of the French Indochina (1863-1954). Khmer Rouge Genocide (1975-1979) aimed to rebuild society at "year zero" (~2 million deaths). Economic Status: Used to be one of the poorest countries in the world (1990) and is now one of the fastest growing economies in the world (2023). Status on FDI: Foreigners can own 100% of businesses in Cambodia.

Figure 1: Shop owner Yang tells photographer that he has to wear a mask because foreign construction workers are kicking people out of the road above. (Peanh Sihanouk province, Phnom Penh, Cambodia)



Source: Daniele Rizzo on Unsplash as cited in Rizzo

Thailand

- **Economic Status:** Thailand is a developing country with a GDP of approximately \$500 billion. It is one of the most developed countries in Southeast Asia.
- **Status on FDI:** Thailand is a member of the ASEAN Free Trade Area (AFTA) and has a liberal FDI policy. It is one of the most FDI-friendly countries in the region, with at least 40% of foreign invested businesses in Thailand.
- **Impact of FDI:** Thailand has a long history of FDI, and it has been a major driver of economic and social development of the country. However, it has also led to environmental degradation, national parks and cultural heritage sites, environmental preservation, etc.

Cambodia

FDI in Cambodia is causing locals to lose their traditional livelihoods as the competition with foreign-funded businesses grows. This results in the loss of their culture. This is not being addressed by the Cambodian government, causing locals to migrate away from their traditional practices.

Investors cause environmental degradation in both Cambodia and Thailand, but more so in Cambodia as they go to the mountains to build resorts.

- Local languages are becoming less popular as people learn the official state language to increase employment opportunities from foreign investors.
- FDI is bringing in foreign-funded businesses in Cambodia, but the Thai government is not doing the same. This also occurs in Thailand to a lesser degree. Thai beer, Singha, is very popular and successful, while the Cambodian counterpart, Angkor Beer, is not. This is due to the increase demand for tourists, as Cambodia is rendering it harder for locals to make a living continuing their traditional practices.

FDI flowing into Cambodia negatively affects its people's ability to preserve their culture. As expected, FDI inflow also challenges the ability of Cambodia to preserve its culture. Negative effects are highlighted by the Thai government's policies that the Thai government has implemented to protect its culture.

Frank, Andre Gunder. 2004. "The Development of Unemployment." *Journal of Economic Surveys*. Thailand, OECD Investment Policy Reviews." Paris: OECD. Zena, Zafrah Mohamed. 2021. "Is Foreign Investment Truly a Force for Development?" *Journal of Economic Surveys*.