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Does Foreign Direct Investment Negatively Affect Preservation of Culture in the Global South? Case Studies 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 ways in which it is used can help a country protect its culture.

Background

- **Positives of FDI:** Economic growth, increased job opportunities, 'development', infrastructure, technological advancements, etc.
- **Negatives of FDI:** Increased dependence, inequality, unfair competition between foreign and locally funded businesses, environmental degradation, loss of culture.
- **Importance of Culture:** Culture is a collection of beliefs, values and traditions that are transmitted across generations. 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 These Perspectives are Under-Researched:** Information regarding this topic is not easily accessible and culture is hard to measure. Moreover, understanding the perspectives of less wealthy, vulnerable communities who possess non-Western cultures does not contribute to the accumulation of wealth of powerful capitalist countries.

Methodology

Cross-sectional comparative case study analysis utilizing **methods of difference**. The cases I analyze are Thailand and Cambodia as they reside in the **same region**, are both highly engaged in the **international community**, and have **similar cultures**. They **differ in their attitudes towards FDI**: *Thailand* imposes **stringent regulations** and limitations on FDI, while *Cambodia* does not hesitate to **accept most FDI** and imposes **fewer limitations**. (Measures of culture: see 'Comparison')

Cambodia

- **History:** Was a part of French "Indochina" for 90 years (till 1954). Khmer Rouge Genocide (1975-1979) aimed to reboot society at "year zero" (~2 million deaths).
- **Economic Status:** Used to be one of the poorest countries in the world (1998) and is now one of the fastest growing economies in the world (2023).
- **Stance on FDI:** Very open and almost no limitations. Foreigners can own **100%** of businesses in Cambodia.

Figure 1

Shop owner Yang tells photographer that she sells her wares from under a bridge because foreign construction workers (hired by foreign investors) kicked her out from a spot along the road above. (Preah Sihanouk province's Prey Nob district).



Source: Danielle Keeton-Olsen/VOD as cited in Kontinentalist, December 1, 2020.

Thailand

- **History:** Has never been colonized.
- **Economic Status:** 29th highest GDP in the world (2022).
- **Stance on FDI:** The Foreign Business Act ensures that Thais own at least **40%** of foreign invested businesses in Thailand, that no foreigners operates in a sector that threatens the existence of local businesses and the safety and security, economic and social development of the country, public order or good morals, national values in arts, culture, traditions and customs, environmental preservation, etc.

Comparison

- FDI in Cambodia is causing locals to **lose their traditional livelihoods** as the **competition** with foreign funded businesses is too high. This prevents them from practicing their culture. This is not the case in Thailand.
- Chinese investors were given land concessions by the Cambodian government, causing **locals to migrate** away from their land which inhibits their ability to practice their culture. This is not happening in Thailand.
- Investors cause **environmental degradation** in both Cambodia and Thailand, but more so in Cambodia as they do not have as many environmental protection policies.
- **Local languages** are becoming **less practiced** in both countries as people learn the official state language to increase employment opportunities from foreign investors.
- **FDI** is bringing in many "psychocentric" **tourists** who fuel the foreign funded businesses in Cambodia, rather than the local businesses. This also occurs in Thailand to a lesser degree.
- Thai boxing, Muaythai, is very popular and successful, while the Cambodian correspondent art, Kun Khmer, is not valued and its boxers are struggling financially. It is possible that **increased demand for tourist accommodation jobs** in Cambodia is rendering it harder for locals to make a living continuing their traditional practices.

Findings

FDI flowing into Cambodia negatively affects the ability of its people to preserve their culture. As expected, FDI inflow also challenges **Thailand's** ability to preserve its culture, but its **negative effects are diminished by the restrictive FDI policies** that the Thai government has implemented.

References

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