

Thailand

A. Medium-term economic outlook (forecast, 2019-23 average)

GDP growth (percentage change):	3.7
Current account balance (% of GDP):	6.0
Fiscal balance (% of GDP) (central government):	-2.3

B. Medium-term plan

Period: 2017-21
 Theme: Reduce income disparity and poverty, strengthen the Thai economy and enhance the country's competitiveness, promote natural capital and environmental quality, and further boost the confidence of Thailand in international community

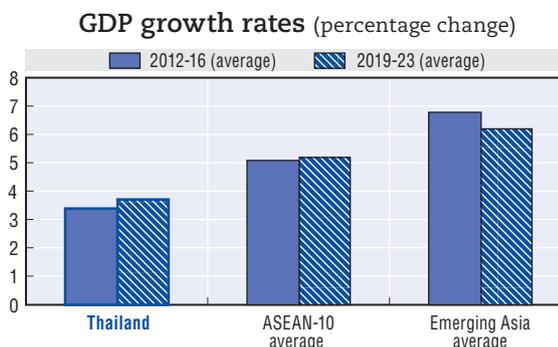
C. Basic data (in 2017)

Total population:	66.2 million*
Population of Bangkok:	5.7 million*
Nominal GDP (US dollar):	455.4 billion**
GDP per capita at PPP:	17 893.6 (current International Dollar) **
Exchange rate in the first half of 2018 (period average):	31.7 (THB/USD)

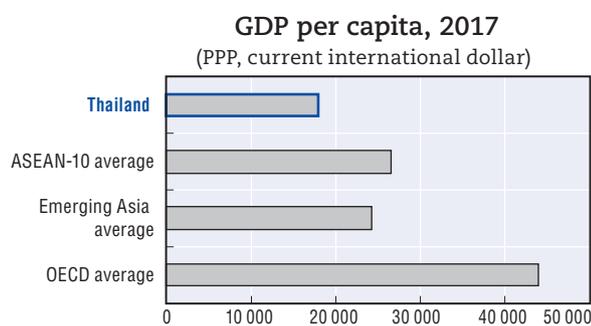
Note: * Population data are year-end government estimates.

** IMF estimate.

Sources: OECD Development Centre, national sources, CEIC and IMF.

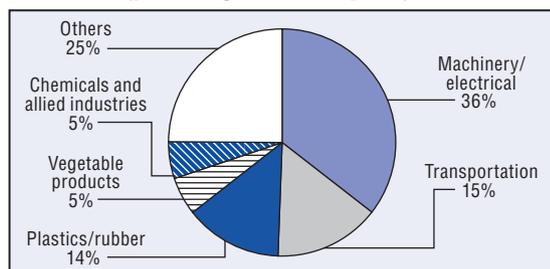


Source: OECD Development Centre, MPF-2019.



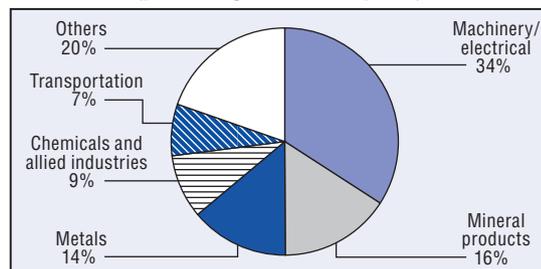
Source: IMF.

Composition of exports, 2017 (percentage of total exports)



Source: Trademap.

Composition of imports, 2017 (percentage of total imports)



Source: Trademap.

Structural policy challenges discussed in previous editions of the Outlook

2011-12	Health	Reforming healthcare schemes to provide a higher quality of services, and equal access to them
	Human-capital development	Improving outcomes in education, and reducing disparities between urban and rural areas
	Agriculture	Enhancing agricultural productivity and improving jobs in the farm sector
	Education	Raising the quality of education, and reducing disparities
2013	Healthcare system	Achieving a more equitable healthcare system
	Green economy	Fostering green growth through investment and fiscal reform
	Education	Upgrading human capital by improving the national curriculum and teaching standards
2014	Agriculture	Improving agricultural productivity through modernisation and education
	Green growth	Improving institutional co-ordination to achieve green growth

Structural policy challenges discussed in previous editions of the Outlook (cont.)

	Productivity	Accelerating improvements in productivity to ensure sustainable economic growth and enhance competitiveness
2015	Environment	Making further efforts in environmental management in order to support green growth
	Governance	Deepening good governance, with a particular emphasis on corruption and transparency, to reduce obstacles to growth
2016	Macro-economic performance	Using macro-economic policies to revive growth
	Tourism	Strengthening sustainable tourism
2017	Digital economy	Developing the digital economy as a new engine of growth
	Human capital	Developing human capital through education to make the most of the country's economic potential
2018	ICT skills	Strengthening information and communications technology (ICT) skills to develop the digital economy

Recent developments in policy areas covered by previous editions of the Outlook

Increasing productivity

- For the fiscal year of 2018, the government allocated THB 468 billion (Thai baht) – 16.1 % of the total budget and the third largest amount overall – to developing the country's competitiveness. Among other measures, this includes supporting SMEs, and developing Special Economic Zones (SEZs) and an Eastern Economic Corridor. There are also efforts to develop transport infrastructure, the logistics system, and the digital economy, to promote research and innovation, and to develop agriculture and tourism.
- The government is continuing its efforts to increase productivity in agriculture and to promote the sector more generally. In 2017, for example, the agriculture ministry signed a memorandum of understanding with 11 organisations on the development of agricultural research. This approach aims to boost the efficiency of the agricultural sector, helping the country towards a set of development objectives known as Thailand 4.0. The agriculture ministry announced in May that, in order to reduce the cost of production for farmers, it will provide them with financial assistance for the first month of the production season every year, with the co-operation of the Bank for Agriculture and Agricultural Co-operatives. In June 2018, the ministry organised SIMA ASEAN Thailand 2018, an agribusiness show for the Association of Southeast Asian Nations, gathering over 3 000 farmers, dealers, distributors, and heads of co-operatives. It aimed at helping Thai farmers to acquire new knowledge, notably in terms of technology, and to connect with the international market.

Promoting balance in tourism

- For the fiscal year of 2018, the government allocated THB 8.5 billion, or roughly USD 265 million, to develop tourism. The government wants to promote tourism in all of its dimensions, including those of quality and safety. Moreover, it seeks to develop attractions in clusters, emphasising respect for the environment and geographical balance.
- Popular sites such as Bangkok, Chiang Mai, or the country's much-loved beaches, attract a high concentration of tourists, putting the environment in danger of degradation if they are not managed adequately. On 1 June 2018, the Thai government decided to close Maya Bay for four months to restore the environment, especially the underwater ecosystem. In an effort to spread tourists out across a greater range of sites, the government plans to promote unseen places.

- It also has plans to link four provinces in a bid to develop community-based tourism. These four provinces are Nakhon Ratchasima, Chaiyaphum, Buri Ram, and Surin. The government is preparing a tourism development plan that includes efforts to link the country's cultural and historical sites with new tourism routes. Currently, 20 separate tourist communities operate across the four provinces. The government plans to encourage these bodies to work more closely with the private sector. Meanwhile, the government has also been moving forward with plans to develop infrastructure. These include a feasibility study for the construction of an airport in Surin province, a master plan to develop a new town in Nakhon Ratchasima and a runway expansion at Buri Ram airport.

POLICY FOCUS

Developing human capital to strengthen the Eastern Economic Corridor

Attracting investments

As part of its actions towards Thailand 4.0, the country is developing its eastern provinces with the government's Eastern Economic Corridor initiative, or EEC. This work also represents an enhancement of the country's projects for the development of its eastern seaboard. It includes three eastern provinces covering more than 13 000 square kilometres: Chachoengsao, Chonburi and Rayong. The plan is for these provinces to become a leading economic zone within ASEAN, as well as a hub for technological manufacturing and services. The government plans to deliver the EEC by 2021.

Meanwhile, the government has also put in place a range of other programmes and regulations to support the EEC initiative. In April 2017, for instance, the policy committee for the EEC adopted, under the chairmanship of the prime minister, eight implementation programmes for developing the region. These include an overarching programme of infrastructure development, another programme focusing on the development of targeted industries, and one that encompasses human resources, education, research, and technology. A fourth implementation programme focuses on developing and promoting tourism, a fifth one covers new cities and community development, and a sixth plan focuses on the development of hubs for business and finance. There is also a separate implementation programme covering public relations and mass engagement, and an eighth one targeting agriculture, irrigation, and the environment.

In February 2018, the Thai government passed the EEC Act into law. The new legislation, which took effect in May 2018, comprises some tax and non-tax incentives for business operators in the Special Economic Promotion Zones within the EEC area. These include, but are not limited to, the right to own land in one of these zones for the purpose of running a business, and also the right to own a condominium, either for business or for residential purpose. Another of the incentives is the right to lease both land and other immovable properties in the special zones for a period up to 50 years, with one-time renewal for less than 49 years. The aim of this measure is to develop and promote the government's target industries. The incentives also include an exemption from all or part of the customs law, for both imports and exports. A fourth incentive is the exemption or reduction of taxes and duties for businesses within the special zones. This is subject to limits under Thailand's investment promotion law, and also under a law on the enhancement of competitiveness for the targeted industries. The fifth of the incentives lies in granting skilled workers, executives, and specialists working for businesses in the special economic zones the right to work in Thailand upon receiving a permit from the

secretariat-general of the EEC. A sixth measure was to grant the right for skilled workers, executives, and specialists working for businesses in the special areas – in addition to their family members – to obtain visas from the EEC Secretary-General. Seventh of all, there is a right to use foreign currencies to pay for goods and services within the zones, subject to the restrictions and requirements that the EEC’s policy committee may request. Eighth of all, licensed foreign professionals will also be able to practise in the special economic zones. This, also, will be subject to the requirements and conditions of the policy committee for the EEC. Finally, there is a stipulation that the committee may grant other rights and privileges under Thailand’s laws on investment promotion and enhancing the competitiveness of targeted industries to investors and professionals. This will be on a case-by-case basis.

The government estimates that the EEC initiative will require more than USD 45 billion over the first five years, expected to come from a mixture of foreign direct investment, public private partnerships, and state funding. Moreover, the government foresees the creation of 100 000 jobs a year in the manufacturing and service industries by 2020, thanks to the EEC. The government has pursued measures to develop public utilities, transport systems, logistics, human resources, and also one-stop service centres for investors, all to support and accelerate economic growth in the EEC. Direct investment in the EEC zone has reached 259 projects valued at around THB 310 billion, or roughly USD 10 billion, which have been approved.

The concept of special economic zones is a common way of attracting foreign investment into a country. In 2015, Thailand established 10 special economic zones – Tak, Mukdahan, Sakaeo, Trat, Songkhla, Nong Khai, Narathiwat, Chiang Rai, Phanom, and Kanchanaburi. With this in mind, and to maximise the use of economic zones (including the EEC) and the role they can play in attracting investment into the country, Thailand will need to address some challenges. Among these, the development of human capital is among the most important. Ensuring that the country has enough highly skilled workers to meet the demands of the industry is a challenge. Moreover, it will also be important to pay more attention to some of the concerns that local communities may raise and which could, in turn, affect the implementation of projects. These can include concerns about the possible difficulties that domestic companies may face in competing against foreign companies.

Businesses are facing a shortage of highly skilled workers

The EEC initiative envisages the development of large infrastructure projects (Table 3.4.1), including the construction of the U-Thapao international airport, the port of Laem Chabang, high-speed train network connecting the U-Thapao airport to the existing Suvarnabhumi and Don Mueang airports, and dual-track railway capacity. There will also be new motorway infrastructure, a port at Map Ta Phut, and further facilities for industry, healthcare, and tourism. These projects will affect Thailand’s labour market as they require a large number of construction workers. The challenge in this regard is that the need for this type of workers will decrease once the construction phase is over.

Within the EEC initiative, the Thai government is promoting ten target industries for development, in line with the objectives of Thailand 4.0. These include next-generation automotive, intelligent electronics, advanced agriculture and biotechnology, food processing, and medical and wellness tourism. They also encompass the sectors of: digital technology, robotics, aviation and logistics, comprehensive healthcare, and biofuels and biochemicals. To develop most of these industries, the country will require a large number of highly skilled workers. This will especially be the case as these industries

begin to grow and as businesses start operating. Over the past few years, however, businesses in the country have been facing the challenge of a labour shortage. In the first quarter of 2014, over 50% of companies were unable to fill vacancies within a period of three months. Industries requiring special skills such as automotive and electronics, and industries with harsh working conditions, such as construction, are facing a particularly large gap (SCB Economic Intelligence Center, 2015).

Table 3.4.1. Targeted public and private investment into the EEC

Projects	Investment target
U-Thapao international airport	THB 200 billion (USD 5.7 billion)
Map Ta Phut port	THB 10.15 billion (USD 0.3 billion)
Laem Chabang port	THB 88 billion (USD 2.5 billion)
High-speed rail project	THB 158 billion (USD 4.5 billion)
Dual-track railway	THB 64.3 billion (USD 1.8 billion)
Motorway	THB 35.3 billion (USD 1 billion)
Industries	THB 500 billion (USD 14 billion)
New cities/Hospitals	THB 400 billion (USD 11.5 billion)
Tourism facilities	THB 200 billion (USD 5.7 billion)

Source: RHB (2017).

Staff members with vocational degrees are especially in demand. In the EEC zone, industries including electronics, food processing, rubber, and plastics have a particular need for technical and vocational workers. Some other industries such as logistics, hotels, banks and retail are also in need of staff. One of the key challenges in Thailand is the shortage of workers with sufficient knowledge of science, engineering, and technical skills. Moreover, a weakness in soft skills and English proficiency poses a further challenge as the country faces up to increasing global competition in the services sector (Tan and Tang, 2016).

Meeting the demand for technical and vocational workers poses a particular challenge considering Thailand's decreasing enrolment rate in technical and vocational schools (Table 3.4.2). According to statistics from the United Nations Educational, Scientific and Cultural Organization (UNESCO), the share of enrolments in the vocational track stood at around 40% of total enrolment in secondary schools in 2008. By 2013, this had declined to around 34%, with a further drop to around 20% in 2017. This shows that most students prefer to opt for the general track of secondary education. It is crucial to make further efforts to improve the attractiveness of Technical and Vocational Education and Training (TVET) and balance the enrolment between general education and TVET.

Table 3.4.2. Enrolment in technical and vocational education and training (TVET)
Percentage of total enrolment in secondary education

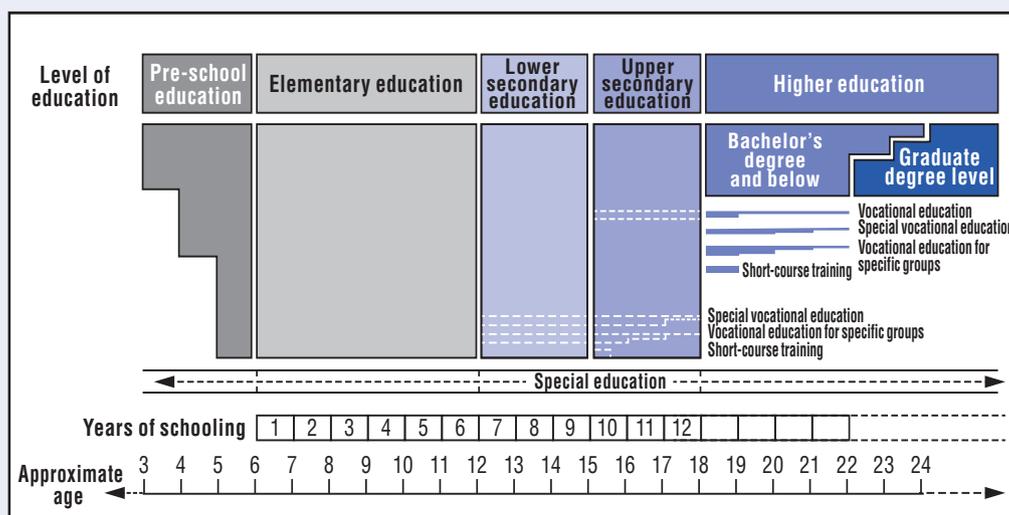
Year	Enrolment in TVET
2008	39.91%
2009	38.82%
2010	37.47%
2011	36.34%
2012	34.90%
2013	33.93%
2014	-
2015	19.76%
2016	19.89%
2017	20.66%

Source: UNESCO Institute for Statistics.

Box 3.4.1. Vocational schools in Thailand's education system

Thailand's education system is mainly managed by the country's education ministry. The education system in Thailand has four levels: pre-school, elementary education, secondary education (lower and upper), and tertiary and higher education (Figure 3.4.1).

Figure 3.4.1. National Education System in Thailand



Source: Southeast Asian Ministers of Education Organisation (SEAMEO), http://www.seameo.org/SEAMEOWeb2/index.php?option=com_content&view=article&id=115&Itemid=532.

The minimum duration of compulsory school attendance in Thailand is nine years – six years at elementary school and three years at lower-secondary school. For these nine years, the government provides free education. It also offers three years at upper-secondary school, and three years of pre-primary school. Both are non-compulsory. Secondary education is divided into lower- and upper- secondary, with both levels offering three-year cycles of education. The upper-secondary system is then divided

Box 3.4.1. Vocational schools in Thailand's education system (cont.)

into two tracks: general and vocational. The latter option leads to the lower certificate of vocational education. Tertiary and higher education encompasses all post-secondary education. It includes bachelor's and postgraduate degree programmes as well as studies below degree level, including the vocational diploma. Vocational education generally lasts two years, leading to a diploma. Students can then continue their vocational education at the university level, by enrolling in a two-year, degree-level programme. Under the aegis of the education ministry, Thailand's Office of the Vocational Education Commission manages around 416 vocational colleges across the country (UNESCO-UNEVOC, 2015).

Further improving the development of human capital is crucial

The Thai government has taken various initiatives to develop human resources in the country, in particular in the EEC areas. For instance, it has approved a budget of THB 861 million to develop human resources in the EEC. Furthermore, the office of the EEC recently signed a memorandum of understanding with the country's commissions for vocational and higher education and the national investment board to prepare the right number and quality of students for the ten target industries in the EEC zone. The Sattahip Technical College in Chonburi will serve as a useful model. This institution was established to provide dual vocational training. The idea is to forge agreements with private firms in order to build effective training curricula, to better evaluate students, and to provide them with practical work experience. In this model, there is teaching in several fields including ICT, tourism, and business management.

The government's department for skills has been providing training and workshops for construction workers in order to help keep up with the demand from the EEC initiative, which will be particularly useful during the construction phase. The programme covers the laying of tiles and bricks, plastering, building colouring, the installation of lightweight structures, metal-sheet roofing, construction using foam and alternative materials, and the construction of houses from soil for the purposes of tourism.

While the EEC is expected to attract foreign investment, Thailand also needs to make sure it receives transfers of skills and technology from foreign companies in the EEC. This will be crucial for the further development of the country's local human resources.

Lastly, it is also important to pay more attention to the concerns raised by local communities, which could potentially affect the implementation of the projects. This includes making sure that local communities are well-informed about the benefits of the EEC, and getting them more involved in the projects in order to build up a sense of ownership.

Key government ministries in Thailand

Prime Minister	Prayut Chan-o-cha
Agriculture and Co-operatives	Grisada Boonrach
Commerce	Sontirat Sontijirawong
Culture	Vira Rojpojchanarat
Defense	Prawit Wongsuwon
Education	Teerakiat Jaroensettasin
Energy	Siri Jirapongphan
Finance	Apisak Tantivorawong
Foreign Affairs	Don Pramudwinai
Industry	Uttama Savanayana

Key government ministries in Thailand (cont.)

Digital Economy and Society	Pichet Durongkaveroj
Interior	Anupong Paojinda
Justice	Prajin Juntong
Labour	Adul Sangsingkeo
National Economic and Social Development Board	Thosaporn Sirisumphand
Natural Resources and Environment	Surasak Karnjanarat
Public Health	Piyasakol Sakolsatayadorn
Science and Technology	Suwit Maesincee
Social Development and Human Security	Anantaporn Kanjanarat
Tourism and Sports	Weerasak Kowsurat
Transport	Arkhom Termpittayapaisith
Central Bank Governor	Veerathai Santiprabhob

Note: Valid as of 16 October 2018.

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