

A NEW TOOLKIT FOR THAILAND 4.0

The Prime Minister of Thailand from 2008 to 2011 and the current leader of the Democrat Party, Abhisit Vejjajiva, addresses the challenges facing the Thai economy today, in this interview with Philip Zerrillo.

While you were Prime Minister, you tried to reform the Thai economy. What, in your opinion, were the constraints in the success of the reform, and what would you have done differently if you could do it all over again?

First of all, during my government, we were facing the impact of the global financial crisis, so of course the immediate priority was to make sure that the economy didn't collapse or suffer unduly from its impact. We didn't want unemployment to soar and we didn't want the financial system to be affected—so to that extent, much of the early focus was on giving a quick stimulus to collapsing exports and the tourism industry. Coupled with that, we were also focused on trying to improve the welfare of the population, particularly that of the elderly and the lower income people. We put programmes in place that provided monthly income for the elderly. We also changed the way the government dealt with the agricultural sector by introducing market-oriented policies. So really, most of the reforms were to tackle the immediate impact of the crisis, as well as to address the needs of the poor.

Thereafter, having stabilised the economy in about six months and getting it back on its growth path, the next thing we did was to try to upgrade some valuable infrastructure. The emphasis was not on big projects, but to work on the run-down infrastructure, particularly in the rural areas—road repairs, upgrading hospitals, schools and so on.

And then, what we did was to anticipate the next stage of Thailand's growth and take several key initiatives, such as developing the nation's 'creative economy', improving the ease of doing business, and reducing costs while

focusing on logistics. We did that because, more and more, we realised that the factors that had driven Thailand's growth in the previous two to three decades were no longer as supportive of the next stage of growth. We were actually moving towards a situation of labour shortage because of the population age structure; the fact that the society was ageing very rapidly and so on. We felt that value creation was important, that is why we thought of developing a creative economy. In many ways, our initiatives foreshadowed what we now call Thailand 4.0, where taking that leap and that next step, from being a middle-income country, requires a number of changes. By the end of my tenure, we were in the upper middle-income classification—and I think we are still there.

The Thailand 4.0 initiative focuses on a 'value-based economy' to get the country out of the middle-income trap. What needs to happen to really embrace 4.0?

I think there are three things that I would perhaps shift the emphasis to in trying to attain the objective of Thailand 4.0. The current government talks a lot about big infrastructure projects, the Eastern Economic Corridor—and that's perfectly fine. But in trying to attract investment, I think they are still trapped in the same old toolkit that they have always talked about—tax breaks, incentives and so on. But I believe to move up from the middle-income trap, we need to do three things.

First, there has to be an overhaul of regulations. So for instance, an alarm should go off if you talk about 4.0 and at the same time consider a business like Uber to be illegal. We should see a

contradiction there. Similarly, we talk about 4.0 while we are enforcing the Computer Crime Act in a way that scares a lot of people who use the Internet. There are several other examples that I can come up with that suggest that there really has to be a change in not just updating regulations, but the philosophy behind them. There must be less control and more of looking at the possibility of the public sector being harnessed into the private sector to create an enabling environment. And this is relevant across the board. Take the financial sector for instance. The new types of start-ups and tech-related businesses are not particularly suited to bank finance in its current form, so we need to find a new environment to support these businesses. Or if we want to support alternative energy, we need to tackle the role of the state enterprises that often becomes an obstacle to its expansion.

It is these institutions, regulations, conservative mindsets, and the expanding bureaucracy that don't really support 4.0. And I think the current regime still believes in using what I call the old toolkit to try and shift business into the new growth centres. But we all recognise that the current technological advancement is highly disruptive, and if you try to expand the current form of bureaucracy in the hope of controlling or monitoring the changes, it's just going to create more problems.

The second focus, which is crucial, is the need to upgrade the skills of our people. So under that broad heading, you see an enormous amount of education reform that focuses not only on those in schools, universities and vocational colleges, but recognises that the entire workforce has to upgrade its skills on a regular basis, given the shift in technology. It also applies to the

agricultural sector as we continue to be a very significant producer and exporter of several agricultural products and yet our productivity is very low. This poses an enormous problem in terms of efficiency but, at the same time, it also offers huge opportunities. So, that reorganisation—almost like a second Green Revolution—is also needed.

The third thing is that we all have to assess and address the impact of the new economic structure on the issue of inequality. A lot of the new technology will actually replace labour. I don't think anyone can seriously hope that tech-related industries can create enough jobs to replace those that are lost. We see this not just in Thailand. All over the world, the new structure tends to reward a small group of winners enormously but leaves a lot of people behind.

So we have to look at the mechanisms of redistribution and how we are going to finance the welfare system, which come under pressure from the large number of people who are being displaced by technological changes, as well as by the ageing population. The pace at which we are ageing is faster than what the Japanese went through, and ours is an even bigger challenge because our welfare system is nowhere near adequate. So there has to be big reforms in how we are going to handle these demands. There is that tricky issue of resource finance.

If export-led growth is not as strong as it used to be, what areas should the government focus on to drive economic growth?

I still believe that we have to continue to aim for a strong export sector, and the recognition that we are not doing as well as we used to just means that we have to increase our competitiveness and also shift to growth areas. The big challenges, of course, will be in the two main areas of our exports—cars and electronics. There is a real possibility of huge technological shifts in these sectors, and we have to be able to retain our competitiveness so that new products will continue to be produced in Thailand. We should certainly aim for that.

What else could we do? One is to focus on the products that we already export and add value to them. Rubber is a good case in point, so are the food and agro-related industries. I believe there is plenty of room to add value to our traditional products through creativity, marketing and branding.

And another area where I believe we can do a lot more is the tourism sector. We have a number of factors going for us. First of all, our rich culture and heritage attracts tourists

from all over the world. Second, the lifestyle of people is such that tourists value experiences more than materials—so the question is not only how we can increase the number of tourists from 30 million people to say 40 or 50 million, but also how they can spend more per head. Just like the agricultural sector, there are so many things the tourism industry has the potential to do in the way that the Koreans and Japanese have successfully done.

The Thai people are well known for their entrepreneurship. It is a nation full of entrepreneurs. How can that spirit be harnessed to lead to new industries or new opportunities?

I agree that there is no shortage of creativity and entrepreneurship in Thailand, but the way it is done today is very much in the informal economy—the likes of street vendors, street food, motorcycle taxis and other services that you can see on the streets. I feel that maybe Thai people are not particularly suited to an industrial age and organised form of work. So, I am actually a little optimistic about our future as we are now living in a post-industrial age, where businesses and organisations will be shaped differently—probably more horizontal rather than hierarchical, with more networks and in some sense, more chaos. I feel that maybe the Thais are more suited to that kind of arrangement and environment. But the authorities need to see this as a strength that can help Thailand leapfrog into the next stage of growth and development.

Further, I feel that our creative talent does not get appreciated here. The system still does not attract top talent and researchers, so we see many talented Thai people eventually move to work abroad. I guess the point to make here is that we have what it takes, but we are not using what we have effectively.

Political stability is an important factor in attracting more private and foreign investment into the country, which are important for growth. How do you see the next five years pan out in this respect? What kind of steady state will be reached?

You have to be quite brave to make political predictions these days, but I would say this—we struggled for a decade and a half and I think there is a learning process, but the problems and challenges are not small by any means. It will take a bit more time but I am convinced that the path we have to take is one

towards a proper liberal democratic regime. The transition from where we are now to that political state might take long, but I would also point out that while people can point to the political instabilities of the past, there has not really been a radical change in terms of the philosophy behind economic policies. An open economy, allowing the private sector to be leaders in growth, following fiscal and monetary discipline most of the time, being pro-business and ready to embrace change—I don't see us deviating from this direction, whatever the political events surrounding us may be.

I hope, and this is again a wishful thought, that we can have more of ASEAN integration. Thailand can take advantage of it by being a natural hub, given the geographical location of the country. I don't believe that there is an easy or smooth transition, but we will get there. And on that journey, there will obviously be uncertainties and anxiety, but I don't believe it will upset the general direction of where we need to go economically and politically.

In August last year, you launched an official Line account for people to become your 'friends'. Why? And how important is technology in facilitating conversations with citizens?

Technology now enables us to engage with people more directly, which helps address the constraints of communicating through mainstream media. There are also a number of new tools that change the way people get to know about you and what you do. Social media tools such as Facebook Live and informal online surveys allow you to engage more and, if used wisely, engage better with people. There is also a downside, as you have to be wary of the possibility of becoming more segmented and polarised. For instance, youngsters today consume and process information very differently. So the next thing I hope that I can learn to do is to use technology to cross these divisions.

What is your vision for Thailand in 20 years?

In 20 years, Thailand has to be a high-income country, one that can welcome new businesses and new growth areas using the traditional strengths that we have. And for me, personally, I would like to see Thailand as a democratic country that can take care of its people.

I would also like ASEAN to have a bigger role and impact on its people. Movement of labour has to become freer. While that is a contentious issue in most nations today, demonstrating and emphasising the benefits, and providing concrete examples

of how it can improve the lives of everybody, can change this mindset.

My key message this year, which is the 50th anniversary of ASEAN, is that it is really time to engage with people in the ASEAN projects we have. ASEAN has been very much the creation of leaders and bureaucrats with little input from ordinary people. We still struggle to have people in Southeast Asia identify themselves as ASEAN citizens. They are still Thais, Malays, Singaporeans, Filipinos, Indonesians, Cambodians—they don't really think of themselves as 'ASEANs'. Ideally, we would like to be like the European Union without the bureaucracy. I think the key to bringing everyone together is engaging the people, and inviting the participation of other stakeholders, such as the private sector, in the economic integration programme. But it also includes people-to-people connections, cultural exchanges, and so on. It is only when we engage with the common people properly that we can hope to have a true community, and not just a name.

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