

# EXECUTIVE SUMMARY WITH FOCUS ON THAILAND. ECONOMIC OUTLOOK FOR SOUTHEAST ASIA, CHINA AND INDIA 2017: ADDRESSING ENERGY CHALLENGES © OECD 2017

## REGIONAL ECONOMIC OUTLOOK TO 2017

- Real GDP growth in Emerging Asia (Brunei, Cambodia, Indonesia, Lao DPR, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Viet Nam) remains robust with average of 6.2% over 2017-21
- Private consumption should continue to make large contribution to growth
- **Risks to growth**
  - Regional trade growth **slowing down over last 5 years**. China's slowdown is an important factor
  - **Low interest rates** in advanced economies may result in market instability in Emerging Asia
  - Plateauing productivity growth

### Recent developments in regional integration

Slower global economic growth and inward-looking policies in some parts of the world increases the need for regional integration to build resilience and improve growth prospects

- **ASEAN Economic Community (AEC) Blueprint 2025:** sector plans to facilitate the free flow of goods, services, investments, capital and skilled labor
- Overall process of integration is slow due to issues in timely and effective implementation of supportive domestic policies

### Developing renewable energy

Increasing population, economic growth and increasing access to electricity lead to large increase in energy consumption.

- In much of the region renewable energy capacity targets and policy mechanisms have been adopted
- Feed-in tariffs (FITs) to foster (current) uncompetitive renewable energy production can be effective but setting the appropriate tariffs can be challenging
- Setting the right conditions for renewable energy requires solutions in **grid access, administrative barriers and energy pricing mechanisms**

## THAILAND

Economy growth is picking up (3.3% in 2016 and 3.6% in 2017) but lagging with ASEAN average of around 5%.

### Boost economic activity

- Develop technologically advanced and high-value industries through **skill development, entrepreneurship and innovation**.
- To become a digital economy and developed country Thailand should **review its education system, enhance labor mobility, and adopt effective regulation increasing competition** (particular in the ICT sector).

### Medium-term policy challenges and responses

#### Develop the digital economy as a new engine of growth

Thailand's long-term goal is to be a **global leader in digital technology and innovation**. Include: **full digital literacy** nation-wide and increase digital's sector **GDP share to at least 25%**

Benefits of digital economy: facilitates **trade**, creates **jobs**, empowers both **women** and young **entrepreneurs**. Increases **participation in global value chains**, gain **access to global markets** and gain access to new **know-how and technology**

Barriers faced by the digital economy in Thailand

- Inadequate ICT use, unreliable and expensive power supply, and underdeveloped financial transaction systems
- Lack of regulatory framework for ICT infrastructure and services
- Complicated border clearance procedures and customs requirements
- Lack of transparent and proper budgeting (monitoring) systems and tax policy for digital economy
- Lack of private investment boosting internet capability and capacity
- Lack of ICT students, should provide tax incentives for importing ICT specialists

#### Develop human capital through education to make the most of the country's economic potential

Human capital development is a key driver of greater productivity. Currently there is insufficient capability in Thailand to develop skills through learning and to deploy a skilled labor effectively; one of the causes of the recent plateauing of economic growth.

### Issues in Thai education system:

- Quality of teachers, curricula and textbooks
- Chronic teacher shortages (especially in remote areas)
- Second highest number of children out of school in ASEAN (586,000 lack access to primary education in 2015)
- Severe disparities between urban and rural schools

### Solutions

- Develop monetary incentives to attract teacher to remote schools
- Develop current teacher licensing system further to include specialization licenses
- Reduce paperwork requirements so teachers can spend more time teaching
- Develop education master plan that reflect the key competencies needed in 21<sup>st</sup> century (ICT skills)