

THE POSITION OF THAILAND'S COMPETITIVENESS

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HOW IS THAILAND performing against the rest of the world? This year, according to the Global Competitiveness Index of the World Economic Forum (WEF), the Kingdom was ranked 34th out of 134 countries. It was named 27th out of 55 countries in the World Competitiveness Yearbook of IMD, the Swiss-based business school.

Looking at the WEF listing it might seem as if Thailand performed relatively well when compared to the IMD listing. However, countries included in the IMD ranking were mostly developed and emerging countries that are relatively restricted, putting Thailand somewhat in the middle tier.

When compared to a broader group of countries, including developing and least developed nations, however, Thailand's competitiveness remained relatively good.

Now, how has Thailand been performing against other Asian countries?

Both the WEF and IMD rankings indicate that Singapore, Japan, Hong Kong, Malaysia and China have a greater level of national competitiveness in comparison, while India, Indonesia, Vietnam, Cambodia and the Philippines are lower.

According to the WEF, Japan ranks higher than Hong Kong and Malaysia, though it is the opposite in IMD listings. The WEF ranks South Korea higher than Malaysia, China and India; IMD goes the opposite way.

It would be interesting to see how these positions have or have not changed over the past few years. Both the WEF and IMD rankings indicate that Singapore, Japan, Hong Kong and Malaysia have always had a higher level of national competitiveness than Thailand, while India, Indonesia, Vietnam, Cambodia and the Philippines have always been lower.

It is interesting to note that since 2004, IMD has always ranked China higher in national competitiveness than Thailand, while China only rose in WEF rankings this year. China's national competitiveness score increased from 4.20 in 2004 to 4.70 in 2008 according to the WEF.

When compared to developed and emerging countries, including most major Asian nations, the overall national competitiveness of Thailand stands at a somewhat middle range. However, when compared against a broader group, Thailand's competitiveness is in a good position. From 2004 to 2006, Thailand showed a moderate improvement in national competitiveness, though things started dropping in 2007.

In both the WEF and IMD 2008 rankings, China outperformed Thailand in terms of national competitiveness, while other major Asian nations remained more or less stable.

So, how can Thailand improve its ranking? For starters, it needs to identify its strengths and weaknesses.

Thailand's strengths lie in the size of its market, its strong labour conditions and reasonably good infrastructure. Its weaknesses lie in its poor health-related factors, technological readiness and institutions.

In order to maintain national competitiveness, Thailand should maintain its strengths, and overcome its weaknesses.

According to the 2008 WEF ranking, Thailand was 23rd and 18th in terms of domestic and foreign market size. In other words, Thailand's export sector, which has been an important contributor to the gross domestic product (GDP) in the past, needs to remain an important contributor in the future. This means maintaining the quality and the reliability of Thai products will be of utmost importance.

WEF gave Thailand high scores this year in terms of labour market efficiency. Thailand was ranked 17th in employer-employee relations; 20th for non-wage

labour costs and 21st for low rigidity in employment – all key components in the labour market efficiency pillar.

Employer-employee relations are important to maintain productivity. Non-wage labour costs such as retirement funds, paid sick leave and special allowances do not directly enhance productivity, while rigidity of employment reflects strict rules on hiring, firing and working hours.

According to the WEF, Thailand ranks 35th for its overall infrastructure, 32nd in terms of ground transportation and 28th with regards to air transportation – all relatively good rankings among a broad group of countries. Physical infrastructure is said to have a significantly positive relationship with productivity and economic growth.

Therefore, it is imperative for Thailand to maintain its existing quantity and quality of physical infrastructure. This does not imply that we need more roads as such, but that Thailand needs to expand its existing infrastructure making it relative to its economic activities.

In terms of institutions, the areas that Thailand performed exceptionally badly in WEF listings were the cost terrorism has on businesses (107th), reliability of police services (71st) and business ethics (69th). The unrest in the South is greatly affecting the overall cost terrorism is having on businesses, and should be one of many urgent issues that the government needs to deal with.

The WEF also gave Thailand low rankings in five other areas: property rights (61), public trust in politicians (64), transparency in government policy making (60), organised crime (63) and the efficacy of corporate boards (66).

Though we admit that making institutional changes is a difficult task, one that can only be achieved gradually over time, we do have three ideas that can be implemented relatively easily: improving basic and higher education; making government policy-making more transparent; and enhancing the "morality" of Thai people.

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those in power; while applying His Majesty's sufficiency theory will be of great value to one and all.

In the WEF's listings for health and primary education, Thailand performed badly as well. It was ranked 108th in HIV-related matters, 93rd in terms of malaria and 96th where tuberculosis is concerned.

Since human capital is an important factor in economic growth and productivity, it is important for Thailand to immediately address and overcome its current health-related problems.

Thailand also did badly in the WEF listings for technological readiness. It was ranked 94th for broadband Internet subscribers; 78th in Internet users and 72nd in terms of personal computers and mobile phone subscribers. Thailand's score for broadband Internet subscribers was just 0.2; and 6.9 for personal computers – both significantly low in comparison to countries like Singapore, which scored 18.3 and 72.6 respectively, and Japan 20.6 and 40.8.

The Kingdom obviously needs a well-developed ICT infrastructure – a widely acknowledged must for innovation.

Then comes the question of talent, or the

human dimension of innovation, including knowledge creation, education, training and workforce support – all significant factors in innovation.

Lawmakers should ensure that their policies support initiatives that develop both basic and higher education, that are conducive to entrepreneurship and the technological side of innovation.

The shortage of skilled workers is fast becoming an issue in Thailand, which is why universities need to step in and encourage an innovative culture. Educational institutions should provide students with opportunities to explore open-ended problems, engage in teamwork and work on projects that go across traditional disciplines. Scholarships, initiated by the government in collaboration with the private sector and foundations, can be used to attract more capable students.

The shortage of skilled workers is also linked to the quality of teaching and research, as well as investment in training. We recommend that teaching and research standards be set at high levels and adhered to strictly, while organisations encourage skill development. Organisations should be urged to provide both IT and English-language training to their employees at all levels, because these are the areas most often marked as being short in supply.

Thailand also needs to reconsider its immigration policies so the outflow of human resources can be curbed and more capable individuals can be brought in. The government should also be aware of the importance of improving working environment.

It is important to increase the flow of private capital in innovation to support frontier research. This means that the corporate mindset needs to be shifted from short-term performance to increasing the invisible asset of intellect, which can help enhance long-term growth. Tax policies can be used to create a more attractive environment for investment in research and development.

It is also important to increase collaboration between universities and businesses with relation to research.

A well-developed ICT infrastructure is widely acknowledged as a must for innovation; some studies say that technological competitiveness is directly related to the level of innovation in a country. Since Thailand did so badly in the WEF's rankings, we suggest that basic education and training programmes include fundamental ICT skills.

Knowledge and new technology is often generated through R&D, especially in the private sector – a dominating force in manufacturing and business services. However, despite its importance, R&D spending in Thailand has been relatively low compared to other nations in East Asia.

Therefore, organisations in both the public and private sectors should build an environment conducive to innovation by acquiring new technology, encouraging competition within the company and offering either financial or motivational incentives to stimulate new ideas.

Even though many government programmes for R&D, technology absorption and development have so far failed to produce the desired effects, it is crucial for the government to continue its efforts with the private sector to maximise the potential for innovation. We suggest that government subsidies or funding be increased for research facilities.

A high-quality science base is often pointed to as a platform on which innovation, to some extent, depends. To enhance innovation, we suggest that more science parks equipped with advanced facilities, like R&D laboratories and incubation centres, be set up near selected universities.

*This is an excerpt from the **COMPETITIVENESS OF THAILAND: ECONOMIC ANALYSIS FROM COMPETITIVENESS REPORTS** written by **PIYACHART PHIROMSWAD, SABIN SRIVANNA-BOON, TAKA FUJIOKA, PONGSAK HOONTRAKUL** of Chulalongkorn University's Sasin. The paper will be presented this weekend at the yearly **TDRI conference in Pattaya.***