



WEF GCR 2010-2011 for Thailand & Its Implications

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Agenda for WEF GCR Asean + 3 Sasin for 2010-2011

- Abstract
- GCR Results & Analysis for Thailand
- Analysis on Public Institutions & Services
- Analysis on Thailand's subtle failures – Education, Health, Poverty...
- Analysis on Thailand's miss-allocation/priority
- Implications & Conclusion

WEF Global Competitiveness Report / Index (GCR) / (GCI) & in one sentence each Sasin

- “The GCR provides a sense of why it is that some countries have been better at providing high & rising living standards to their citizens than other.”

By Dr Jenifer Blanke, WEF Sept 2010

(Head of WEF Centre for Global Competitiveness & Performance)

- See <http://www.youtube.com/watch?v=Nq4ITuIB68w&feature=channel>

Global Competitiveness Index (GCI) rankings provide a framework to look at “*the set of institutions, policies and factors that determine the level of productivity*” of a country, which in turn, determines “the ability to achieve higher rate of returns on investments” and thus, able to sustain faster growth in the medium term.

- See World Economic Forum. *The Global Competitiveness Report 2010-2011*

Why WEF GCR matters ?



- “Today’s still-difficult economic environment requires **not losing sight of long-term competitiveness fundamentals amid short-term urgencies**.
- Indeed, any exit strategies must be complemented by **competitiveness-enhancing efforts** aimed at improving the potential for growth in the medium to longer run, which will in turn help to eliminate fiscal imbalances.
- Competitive economies are those that have in place factors driving **the productivity enhancements** on which their present and future prosperity is built.
- **A competitiveness-supporting economic environment** can help national economies to support high incomes and ensure that the mechanisms enabling solid economy”
 - See World Economic Forum. *The Global Competitiveness Report 2010-2011*

GCR analysis for Thailand (38th, -2pts)



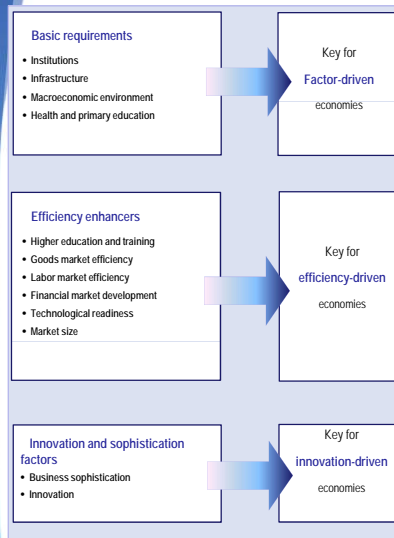
Thailand, at 38th position, has fallen 2 places this year and 10 ranks since 2006.

- The assessment of **public institutions** continues to deteriorate (70th) after a drop of 30 places over the past four years, likely related to recent problems of social unrest and political instability in the country.
- However, Thailand continues to benefit from its relatively large domestic and **export markets (23rd)**, its **excellent transport infrastructure (23rd)**, **the efficiency of its labor market (24th)**, and a relatively well functioning goods market (ranked 41st).
- In addition, the country’s business environment is relatively sophisticated with developed clusters (34th) and companies operating across the value chain.
- Going forward, in addition to urgently improving its institutional framework, the country needs to step up its efforts to improve its health and **primary educational systems (80th)** and encourage wider adoption of new technologies for productivity enhancements.

WEF's 12 pillars analysis for Thailand



WEF's 12 pillars & 3 stages



12 pillars	2008	2009	2010
Institutions	57	60	64
Infrastructure	29	40	35
Macro stability	41	22	46
Primary Ed	58	61	80
Higher Ed	51	54	59
Good Mkt Eff	46	44	41
Labor Mkt Eff	13	25	24
Fin Mkt Soph	49	49	51
Technology Readiness	66	63	68
Market Size	21	21	23
Busines Soph	46	43	48
Innovation	54	57	52

Figure 1: Map of WEF GCI 2009-2010 for Asia

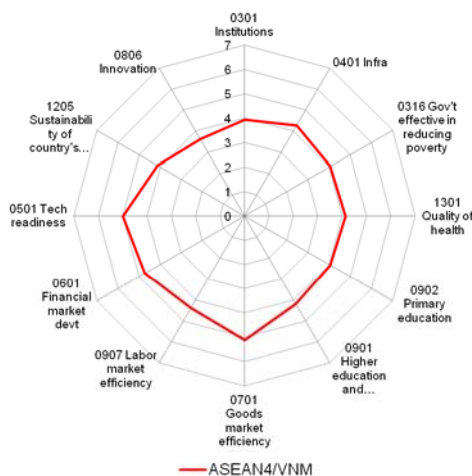


Source: weforum.org as of Sept 2010

Agenda for WEF GCR Asean + 3 for 2010-2011

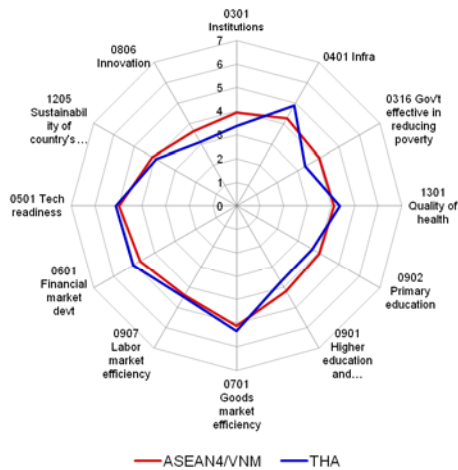
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Selected Competiveness Report 2010-2011 for Asean 4 from WEF



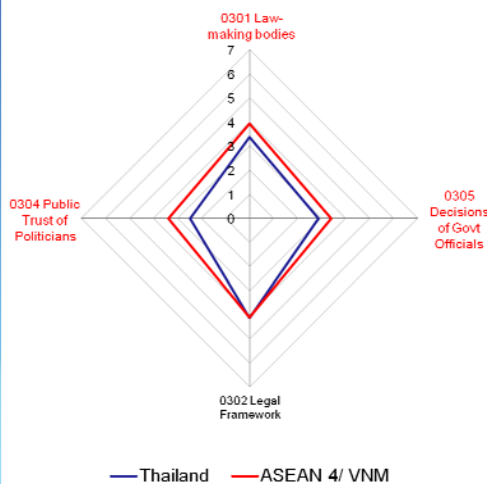
- Asean 4 = MYS(26th), IDN(44th), **THA(38th)**, VNM(59th)
- **PHL (85th) was left behind.**
- Asean 4 has its weakness in **health, education & innovation**
- Asean has its strength in **goods & labor market** along with tech readiness & fin mkt devt
- Asean mkt integration offer trade & investment opportunity
- Asean 4 have done *fairly* on poverty reduction and sustainability of country's development
- **Comment: Thailand slipping ?**

Selected Competitiveness Report 2010-2011 for Thailand vs Asean 4 from WEF



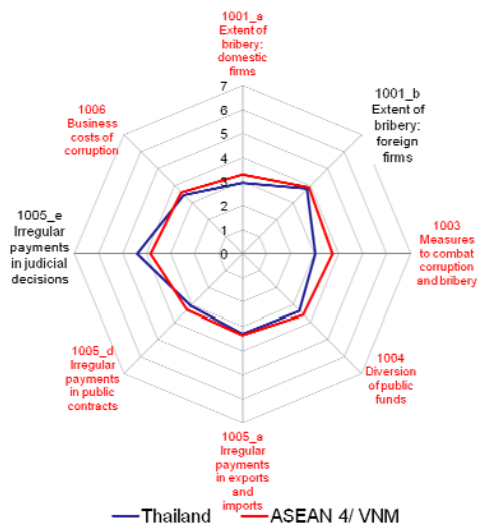
- Comparing to Asean 4, Thailand has done well in physical infrastructure, quality of health, goods & labor mkt efficiency and financial market dev't.
- Goods market efficiency, tech readiness and sustainability of country's dev't are at par.
- Thailand is below par in **primary & higher education**.
- The weakest of all is **public institution and innovation**.
- Comments: Workers need education both to improve their productivity and to enable them to work with or to create new technologies.

Political concern is the 2nd biggest drag of all in Thailand's ranking



- Low public trust of politicians for Thais is the lowest in Asean. (THA = 2.48 < Asean 4 = 3.37)
- Law making bodies & decisions of gov't are below par as well. (THA = 3.36 < Asean 4 = 3.94)
- It is interesting to note our legal framework is upheld.
- Our public institution is now ranked 64th, -4 places last year and -7 place in 2 yrs.
- Comments: It suggests a need for more stable & effective gov't.. It is worth note that the business or survey is *indifferent* to the form of gov't.

Bribery & Corruption issues are one of the big drags for Thailand's competitiveness



- The business voices clearly indicate that the gov't has not done enough on bribery & corruption.
- Across the board – measures, irregularities and cost related to public services and contracting are poor.
- One bright spot is our judicial system is fine.
- Comments : What should executive and legislative branches learn more from judicial branch ? Culture ? Its structure, monetary & non-monetary compensation ?

Comments on Public Institutions

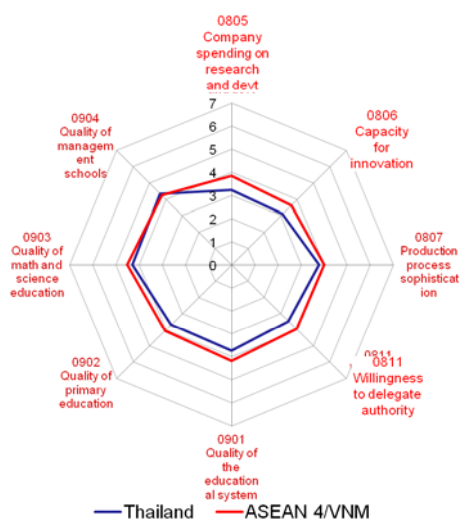


- Executive opinion survey is *indifferent* with the form of gov't. It cares only the stability & effectiveness of the gov't & institution. Any comments ?
- Democratic nation like Thailand has long suffered more **subtle failures** like steadily decline in quality of primary education and slippage in quality of healthy. (details next)
Should we make education failures as **a crime** against humanity ?
- **Corruption & bribery issues** are clear and present danger for Thailand. They create huge leakages in our system and materially slow down our national progress.
- Our legal framework and judicial process are above par when comparing to Asean 4.
- What can executive & legislative branches learn from our judicial branches ? Any thoughts ?

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Thailand's Primary Education Shame

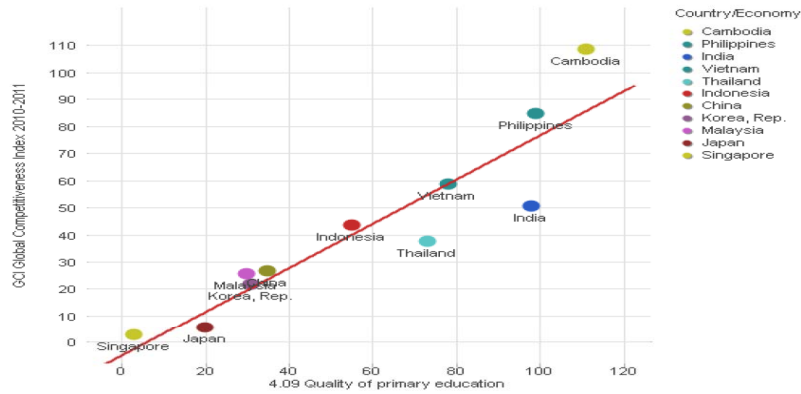


- **Thailand's primary education** ranks 80th dropping 19 notches far behind VNM (65th), IDN (62nd), MYS (34th) and SIN (3rd). ... **Steady decline !?!**
- It is noteworthy that quality of management & science in higher education is at par.
- Quality of math & science and production process soph. are slightly below par.
- Resulting in not well placed for innovation and R&D.
- Comments: **Primary education is the basic drive for our nation prosperity.** Why mgt school fare better ?

Quality of Primary Education vs GCI Global Competitiveness Index 2010-2011 for Thailand & Asean



4.09 Quality of primary education vs. GCI Global Competitiveness Index 2010-2011

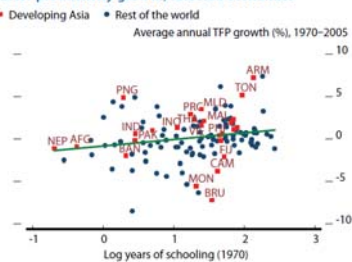


Comments: Despite of political promises, Thailand's quality of primary education is far below par in comparison to Asean and Asia in general. This results directly in poor performance in the future innovation & efficient enhancement dragging down our competitiveness now & future.

Initial Human Capital Levels & Subsequent TFP growth for selected countries by ADB 1009



2.3.4 Initial human capital levels and subsequent total factor productivity growth, selected economies



AFG = Afghanistan; ARM = Armenia; AZE = Azerbaijan; BAN = Bangladesh; BRU = Brunei Darussalam; CAM = Cambodia; FIJ = Fiji Islands; GEO = Georgia; HKG = Hong Kong, China; IND = India; IDN = Indonesia; KAZ = Kazakhstan; KGZ = Kyrgyz Rep.; KOR = Rep. of Korea; JPN = Japan; LAO = Lao People's Dem. Republic; MAL = Malaysia; MLD = Maldives; MON = Mongolia; MYA = Myanmar; NEP = Nepal; PAK = Pakistan; PHI = Philippines; PNG = Papua New Guinea; PRC = People's Rep. of China; SIN = Singapore; SRI = Sri Lanka; TAJ = Tajikistan; TAP = Taipei, China; THA = Thailand; TIM = Dem. Rep. of Timor-Leste; TON = Tonga; and VIE = Viet Nam.

Note: Data cover 134 economies.
Source: ADB calculations based on data from Barro and Lee (2010) and Park (forthcoming).

- A simple scatter plot of initial human capital levels and subsequent total factor productivity (TFP) growth over the period between 1970 and 2005 addresses this issue (Figure 2.3.4).
- The raw correlation between these two variables is positive, suggesting that economies with larger initial human capital stocks tended to exhibit higher TFP growth

How does human capital accumulation enhance technology absorptive capacity?



- Most recently, Barro and Lee (2010) find that schooling has a significant positive effect on output.
- Hanushek and Woessmann (2009) obtain the result that a unit increase in a country's average cognitive **test scores in math and science** increases per capita GDP growth by *more* than the unit increase in its average **total cognitive test scores** (which includes reading).
- Benhabib and Spiegel (1994) showed that **income growth** is not correlated with the *growth of human capital* but with **its level**.
- *Workers need education both to improve their productivity and to enable them to work with or to create new technologies.*
- *Low-skilled* human capital is better suited to technology *adoption*, while *high-skilled* human capital is more apt for technology *creation*.
- Hanushek and Woessman (2009) find that both "rocket scientists" and "basic-skills students" contribute positively to growth, although the former have a much stronger impact. **But Large population with basic literacy skills is a prerequisite to find few "rocket scientists"**

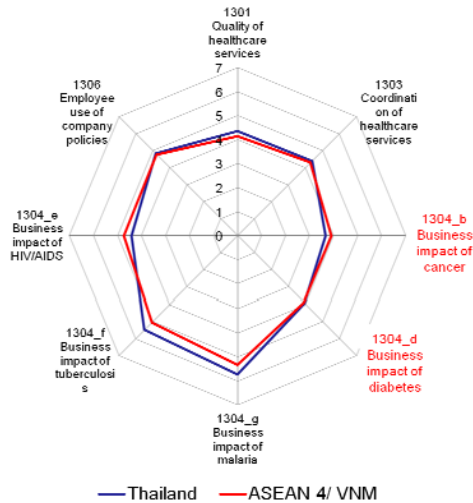
Source: ADB 1009

Comments: Starting them when they are young ...old saying



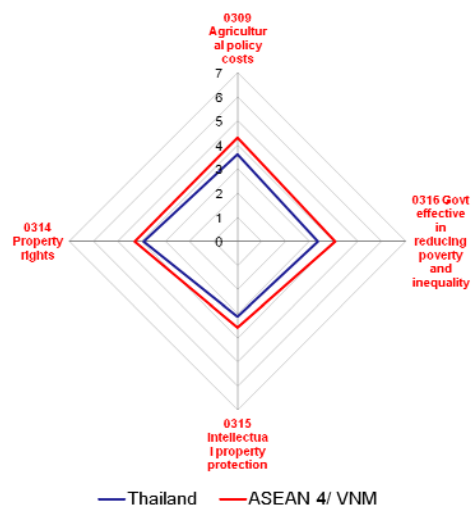
- Despite of political promises, **free education is not equal to good education**. Any thoughts ?
- Quality of primary education & nurturing our children are *critically* important that prompt gov't actions to ensure medium term competitiveness & our future generation.
- What we should learn is *how* the quality of math & science, management school and production process sophistication are relatively fine despite the shame in our primary education. **The three seem to have few commons. Openness, foreign engagement and privately driven incentives stimulates them to keep up the pace.**
- **Reforming primary education system is most critically needed to ensure our future prosperity.** (Singapore Model?)

Thailand's Health Issues are fine except...



- Given our universal health coverage (30THB), it is good that the quality of Thailand's healthcare services are slightly above peers.
- We have done well to combat TB, malaria & diabetes ahead of IND, PHL.
- What is interesting are the concerns of business impact from **cancer & HIV**.
- Comments: While communal diseases are contained, the diseases "in urban society" are not. Why ?

Poverty Reduction, Income inequality Issue & Thailand's competitiveness



- Despite of mentioning in our first national plan valuation and 30 years of dev't, Thailand still suffers the same symptom of high income inequality & poverty.
- Thailand's agricultural policy is ranked below Asean one.
- Property rights & intellectual property are also sub par.
- Comments: Productivity based enhancement stimulus, not the hand out, is the only way to improve social welfare for the poor.
- Agricultural productivity ?

Implications on Poverty Reduction & Health Issues



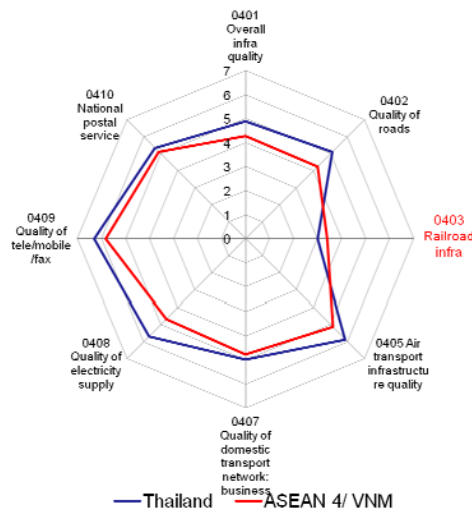
- Despite of a series of “populist policies” in the last 6 administrations for almost a decade, **Thailand's poverty reduction is still a serious issue** comparing to the Asean 4.
- **Productivity improvement** is the only sure way to increase the quality of people life and to provide high & rising living standard. There is no short cut !
- If there is any magic bullet to reduce poverty, it is going to be **education**, especially the primary one, the basic knowledge. *But it will take a generation.* Start Now !!!
- With better basic education, “urbanized” diseases like HIV/AIDs and cancer might be reduced; Productivity improvement in agriculture will be enhanced.
- Human capital will be accumulated, not wasted.

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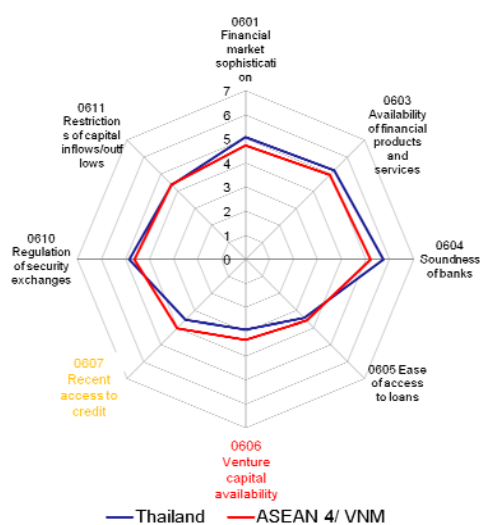
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Thailand's overall quality of Infrastructure is good except the rail



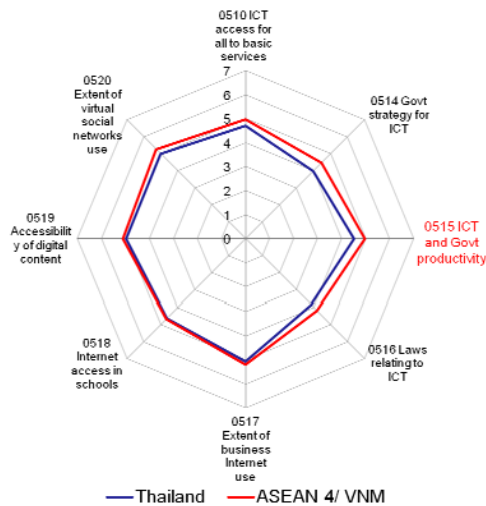
- Thailand's overall quality of infra is good from roads to sea ports, from electricity to phone /mobile despite of grunts.
- Our air transportation mode is the best or 2nd best in the Asean.
- Exception is **railroad infra**.
- Comments: We may need to set a right priority here and overall goals for budget allocation & resources !

Thailand's financial market is always ahead of the Asean 4 except...



- Thailand's financial market overall is above par.
- Regulators may have done *too good* of the jobs in conserving soundness of banks & exchange but at the expense of the ease of access to fund.
- **The lack of venture capital** weights down ranking and impedes new business startup.
- **News: Micro-Fin by Post Off ?**
- Comments: **Culture of prudent risk taking & risk sharing**, even accepting small losses for overall gain, should be cultivated for job creation & social welfare enhancement.

Private is ahead of Gov't in ICT adaptation



- Private firms, school & community people are at par with Asean
- **Thai gov't side is lagging** behind in term of strategy, ICT & govt productivity and related law to ICT.
- **News: ToT for 3 G !?!**
- Comments: A major reform is needed *inside* the govt body like eGovt to improve its adaptation.
- Or let's the govt gets out of this fast moving technology ICT sector business !!!

Comments on Thailand's priority



- The evidences suggest that **Thailand's authority is good as regulator, not operator**. >> Banking & Telco cases !
- Private sector and people community are ***ahead*** of their own govt in term of ICT and technology readiness. >> Social media vs eGovt
- Breeding more middle class people and new entrepreneurs requires **prudent risk taking and risk sharing**, not pure conservatism. >> **Lack of venture capitalism & limited fund access are the classic symptoms of no willingness to take risk.**
- Allocation of resources to *prioritized* needs are needed to improve our productivity. >> Less physical infrastructure, **more soft infrastructure** >> Less govt in business, more on mentor & regulator

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Implications to improve our competitiveness

- Thailand has been slipping away over the last 5 years due mainly from public institutional deterioration.
- **Private business has been resilient and relatively done well** despite of many setbacks in political turmoil and quite a few subtle failures like education & healthcare.
- Since Thailand's authority is good as regulator, *but not* as operator, private sector should be encouraged to engage more in providing public services like **health & education**.
- **Public-Private Partnership (PPP)** may provide a platform to improve our nation competitiveness. Many cite the current PPP JV law is not practical, but it is a step forward.
- Yet, more have to be done for effective implementation.

Civil Servant Healthcare Reform Example



- Civil servant healthcare reform is a good example.
- Starting on Oct 1, 2010, the scheme is to allow civil servants & state enterprise employees to be able to visit [private hospitals](#) for selective IPD (In Patient Department) treatments.
- The Comptroller General's Department (CGD) may soon purchase group health insurance for both IPD & OPD from private sector and to enlarge the spending pool for private operators.
- **This is a win-win public & private partnership in a sense.**
 - The gov't has its fiscal budget under control;
 - the private sector has more economy of scale & their healthcare provider business enlarged by more THB60bn / year); and
 - the healthcare users enjoy the quality service with efficiency provided by private sector.
- **How should we do this with primary education system ?**

Conclusion



- Competitiveness of a nation equates to productivity that drives sustainable prosperity to raise the living standard of its citizens.
- **Thailand is now ranked 38th dropping another 2 notches.**
- It has done well in term of physical infrastructure and rated fine in term of legal framework and judicial system relatively free from tainted bribery & corruption concerns.
- Thailand also continues to benefit from its relatively large domestic and export markets (23rd), its excellent transport infrastructure (23rd), the efficiency of its labor market (24th), and a relatively well functioning goods market (ranked 41st). These are mostly done by private sectors engagement.

Conclusion



- Going forward, Thailand badly needs a stable, effective and steam lined gov't of some forms to effectively improve its institutions for inclusive growth.
- With productive gov't ,Thailand must step up its efforts to resolve more **subtle failures** in soft infrastructure - providing public goods & services like **quality of primary education** & health issues and poverty reduction and
 - to encourage wider adoption of new technologies from within side of the gov't body to its people at large.
- Finally, PPP may be one of the ready made solutions to enhance our nation productivity as show in healthcare system reform.



END

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