

Breaking out to become a Trading Nation



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In 2012, Ruchir Sharma wrote in his famous book called Breakout Nations: In Pursuit of the Next Economic Miracles about the aftermath of 2008 financial crisis, which had affected economies worldwide. In this book he predicted that not many countries would be able to maintain economic growth at the desirable rate throughout this decade. These fortunate few countries, including Thailand, were termed by him “breakout nations”. These nations, he argued, were likely to continue growing and becoming the next economic miracles.

This is both good news and bad news for Thailand. Undoubtedly, being considered as having potential to prosper can attract inward investment and boost domestic market environment. On another hand, high expectation means more eyes upon the performance of both public and private sectors. Breakout can mean surpassing previous achievement, and at the same time, can depict a struggle to get away from an encampment – which requires serious effort.

Last year, the Ministry of Commerce Thailand (MOC) declared its strategic plan to upgrade Thailand as a “Trading Nation”. The plan aims to utilize the strength of Thailand in geographical location which connects countries with abundant resources such as Myanmar, Laos, Cambodia, and Vietnam to markets with high number of consumers and level of spending power like China, Malaysia, and Singapore. Together with the opportunity in the ASEAN Economic Community (AEC), in which freer flows of goods, services, investment, and skilled workers are expected to create a regional single market and production base, the plan to develop Thailand as a trading nation could ultimately make the country a breakout nation.

But of course, there are several weaknesses and threats that the MOC needs to consider. The most critical weakness of Thailand as a trading nation is probably labour productivity. The World Competitiveness Yearbook 2015 published by the International Institute for Management Development placed Thailand’s labour productivity at 56th from the total of 61 countries. This implies that the industrial development during the past decades had not led to skill development, neither for workers nor entrepreneurs. The rationale for this failure could be education policy and curriculum, which obviously do not create skills that serve the demand for national development. English language, for example, is considered a common lingua franca and used to conduct businesses globally. In the same IMD report, Thailand ranked 57th in the English Proficiency index (determined by TOEFL scores), which is far behind other ASEAN countries such as the Philippines and Indonesia. It would be difficult for a country to trade if it is unable to communicate with trade partners.

If the AEC is a great opportunity for Thailand as a trading nation, any Free Trade Agreement (FTA) which Thailand has not joined is considered a serious threat. The Trans-Pacific Partnership (TPP), for instance, encompasses both Thailand’s trading partners and competitors such as the US, Japan, and Vietnam. When effective, the TPP could cost tremendous loss for Thai export sector and manufacturing industry. The situation may get worse if the weakness in labour productivity is not addressed properly, as the country will surely lose its competitiveness, and hence economic growth. So in order to put the Thai economy in the right path toward a breakout nation, the MOC needs to carefully craft the trading nation strategy by considering all the strengths, weaknesses, opportunities, and threats in this path. And the plan must be reconsidered as often as possible, because these strengths, weaknesses, opportunities, and threats can alter over times. A new threat

of terrorism may affect the strength of location as cross-borders checkpoints may need to be stricter. The threat of TPP could overshadow the opportunity in AEC as some ASEAN member countries may prefer trading within the TPP bloc to intra-ASEAN. At the same time, the TPP threat could be dealt with by connecting Thailand to the non-TPP markets such as China and South Korea. Of course, the success of turning this threat into opportunity depends on the solutions to the country's weaknesses. Such big tasks cannot be left solely to the MOC. Trading nation plan requires effort and participation from all parts of the nation. Other ministries and state agencies must lend their support, while businesses, civil society organizations, and scholars must be actively consulted. The media must be tuned to the right channels in order to deliver useful information for the market. This is the task for the nation, and the responsibility should be shared by all members in the nation. In order for Thailand to breakout from the current economic slowdown, everyone in the nation must take action and collaborate with one another.