



Op-Ed Series

Lessons Learnt from Thailand's Eastern Economic Corridor

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At a city about ninety-minute drive or a 130-kilometer distance from Thailand's capital Bangkok, an enormous bustling port is dealing with hundreds of gigantic ships in and out the areas. Hundreds of container ships make their way to the port every day, and leave with thousands of tons of materials and productions to be delivered around the world. Locating in Chonburi Province, [Laem Chabang Port](#), Thailand's biggest and the 21st busiest container port in the world is situated at the tip of the city's coastal area and widened into the Gulf of Thailand. Its strategic location at the heart of mainland Southeast Asia has gifted Thailand a promising opportunity to thrive for the better economic development and success.

In fact, Laemchabang is not the only designated city for Thailand's economic masterplan. On 17 January 2017, the "[Eastern Economic Corridor](#)", or "EEC" was established. At least three eastern provinces of Thailand - Chonburi, Rayong, and Chachoengsao - situated off the coast of the Gulf of Thailand spanning a total area of 13,285 square kilometers are designated to be Thailand's ambitious and imperative economic region. It is a [giant special economic zone](#) to be transformed into a hub for high-tech industries and logistics. This economic corridor will be labelled as a place for greater competitiveness in trade and investment, a center for export-oriented industries, a base for regional transportation and logistics, a hub for human resources, a tourist attraction and most importantly, a modernized gateway to Asia.

Propelling growth through 4.0 technology, the Eastern Economic Corridor is adopting a visionary scheme of "[Thailand 4.0](#)" aiming to transform the economic growth base from one that is predominantly efficiency driven to one that is more [innovation driven](#). In order to understand more about what efficiency driven or innovation driven economy is, one must understand the three important [stages of economic development](#) first. First and foremost, the primary stage classification based on the nation's economic development is "factor driven economy", where competitive advantage is based on unskilled labor or natural resource. Secondly, the next stage is "efficiency driven economy" in which efficiency in producing standard products becomes the main source of competitive advantage, and the economy concentrates on manufacturing. And lastly, the end stage classification is "innovation driven economy".

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Likewise, the Eastern Economic Corridor or EEC is a part of the [new political and economic reforms](#) in this visionary scheme of Thailand 4.0. Thailand is aiming itself toward the end stage of classification of development. The indication can be seen through its masterplan of EEC. Around [12 target industries](#) are designated to be specialized, and are divided into two important sections. The first is the upgrading of five existing industries: agriculture and food, tourism, automotive, electrical and electronics industries, and petrochemicals. The second one involves the development of six new sectors: automation and robotics, aerospace, digital, bio-energy and bio-chemicals, medical and healthcare, and defense industry. Moreover, [high-speed railway](#) connecting three airports are being constructed to boost the speed of transportation.



"Laem Chabang Port Construction (Phase 3)." TEAM GROUP, www.teamgroup.co.th/en/portfolio/laem-chabang-port-construction-phase-3/.

The idea behind the emergence of the EEC is inspired by the launch of the [Eastern Seaboard Development project](#) between the mid-1980s and the mid-1990s, which propelled Thailand's great leap towards industrialization. Two deep-sea ports on Thailand's east coast and industrial estates were constructed together with a petrochemical complex utilizing natural gas discovered in the Gulf of Thailand. And today, the EEC is much bigger than the Eastern Seaboard Development.

To understand more about why EEC is currently a model for the new higher-technology and competitive region Thailand's policymakers are determined to create, we must look closely at least 4 important lessons.

First and foremost, the development of the EEC is a clear indicator that the Royal Thai government is aiming to [diversify](#) its economy, moving away from previous dependences on the garment and agriculture industries. So far, EEC has done at least two related dimensions of diversification: (i) [trade diversification](#) (i.e. exporting new or better products, or to new markets) and (ii) [domestic production diversification](#) (i.e. cross-sectoral rebalancing of output to increase total factor productivity). Therefore, by strategically identifying the diversification in their market, Thailand enjoys reducing the systematic risk in case of emergency and crisis. For instance, during the pandemic time, although Thailand's economy is shrinking in [total export productions](#), especially the automobile and parts industries, the government still has the ability to export its technological products such as semiconductor devices, transistors and diodes which has increased by 29.1%, and teleprinters, telephone sets and parts which has increased 5% in June this year. Moreover, [food, beverage and rubber glove sectors](#) are being placed with stronger promising export opportunities. According to the latest report, Thailand's Eastern Economic Corridor is becoming [Post-COVID Global Food Innovation Hub](#). Virtually, Thailand is practicing the “Never put all of your eggs in one basket”.

Secondly, Thailand has heavily invested in extensive research and development (R&D) to increase its productivity and international competitiveness in the region and the world. In 2019, Thailand's [research and development](#) (R&D) investments reached 200 billion baht or approximately 6 billion USD, up 32% from 2018, according to Office of the National Science Technology and Innovation Policy Office. Artificial intelligence, automation, Big Data, Internet banking and data analytics are the central ideas of research and development to readiness in the age of Industrial Revolution 4.0. The main reason behind the investments in those areas is because more graduates in Science, Technology, Engineering and Mathematics (STEM) are needed to shore up shortages of specialists in the new industries that are designated in the area of the EEC. In addition to the [demand of STEM-graduates](#), Thailand is trying its best to increase its economic performance, government efficiency, business efficiency and science infrastructure, moving forward to a prosperous development.

Thirdly, Thailand has an upstanding investment policy especially the Board of Investment (BOI) tax incentives. The BOI, by virtue of the Investment Promotion Act of 1977 and the Competitive Enhancement Act of 2017, up to 50% reduction in the [Corporate Income Tax](#) (CIT) rate for a maximum of ten years are granted for certain eligible activities. These extensive incentives for investors and private corporations have made Thailand become an even more attractive destination for [foreign direct investment](#), as indicated by its rising ranking in an important index of foreign investor confidence. Moreover, adequate domestic market size, acceptable cost of labor, regulatory transparency and lack of corruption are among the top factors that executives look at when making decisions about investing in a country. And Thailand has done well in those areas.

Last but not least, Thailand has maintained a healthy economic diplomacy. To date, Thailand has currently positioned itself in at least 14 proposed [FTAs](#), 15 signed FTAs (of which are 14 in effect) and 9 FTAs which entered negotiation. In addition, power trading that Thailand is currently specializing in can bring multiple benefits, including reduced system costs and an ability to integrate higher shares of trades. The assurance of Thai products and services offer the confidence to consumers that they are getting the best quality of goods and services. Obviously, the [demand of Thai products](#) is usually very high, compared to neighboring countries.

In summary, the development of Thai economy can be seen today because of several huge reforms in its economic development. The Eastern Economic Corridor or ECC is bringing Thailand to the next stage of development in accordance with Thailand 4.0. Diversification, Research and Development, Investment Incentives, and Economic Diplomacy are the most important contributions to the implementation of EEC and to Thailand as a whole. Looking ahead, Thailand is moving closer towards the status of a more advanced economy, from a now [upper-middle-income](#) to a high-income country in the near future. As a current [economic powerhouse](#) in Southeast Asia, if the launch of EEC is a success, Thailand is believed to become the next important economic powerhouse in Asia in the near future, and it is potentially becoming the 5th Asian Tiger Economy.

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