

Thammasat Economic Association
“Thailand Biggest Questions: How to Prosper”



Business, government, and academic leaders gathered on November 21 for the annual Thammasat Economics Association conference. The event was focused on the theme, "Thailand Biggest Questions: How to Prosper". AWR Lloyd is pleased to have sponsored this event.

Summary: *Thailand has a long history of economic and political leadership in the Southeast Asian region. In recent years, this leadership has waned as neighboring countries have seen higher economic growth as well as better progress on numerous other economic and social indicators. Economists within Thailand cite several reasons for this change in position, including political instability, inadequate education, poor transportation network, and bureaucratic red tape for those (both foreign and local) doing businesses in Thailand. Nonetheless, with the right mix of government policy and private sector activism, Thailand has significant opportunity to reclaim its economic strength and once again become the region's economic growth leader.*

According to event participants, Thailand has the opportunity to capitalize on several key trends in the region. First with respect to energy, as noted by conference participants, Thailand is fortunate to have vast reserves of oil, coal and natural gas. Nonetheless, the Thai government spends a significant amount of money on energy price subsidies. That, combined with a regulatory structure which hinders private investment in energy projects, creates a market which is inefficient and is out of balance with the available mix of energy resources. Former energy minister Piyasvasti Amranand believes that cancelling energy price subsidies would go a long way toward restoring an efficient energy market in Thailand. In an efficient market, Thailand would be able to build more coal power plants that provide reliable energy around the clock, while lessening its consumption of natural gas.

Another topic that received significant attention was regarding tourism, Thailand has seen a recent surge in tourism from Eastern Europe – Russia in particular – and China. On one hand, Thailand has seen decreased visitors from Europe and North America, due mainly to political instability and the fear of protests turning violent. According to Piyaman Tejapaibul, president of the Tourism Council of Thailand, suggested that cultural attractions should be added to the country’s tourism offer, which can help attract more from Asia while increasing its overall investment in the tourism sector. Despite some weaknesses, tourism is expected to grow by 8% in 2014.

With respect to transport, there has been much discussion in Thailand regarding the potential two trillion baht investment into Thailand’s rail network. However, rather than focusing on high speed trains, some conference participants emphasized a focus on double track routes which would provide a significant boost to cargo and logistics, and city mass transit systems to counter problems with traffic and urban congestion.

Later in the day, discussion turned to education, and to ideas which can support better preparation of the country’s youth through cooperation between public and private entities. World Bank economist Kirida Bhaopichitr noted that Thailand has a shortage of highly skilled workers. Industries with high potential for growth are being held back because the skilled workers who are available to work are not trained or experienced in the right sectors, so allocation is also a problem. Thailand, however, has an opportunity to correct this situation through cooperation between universities and businesses. This cooperation would likely come in the form of a user survey, in which companies could inform the universities which skill sets were needed, and academic institutions could then adjust their curricula based on this demand.

Overall, Thailand needs to aim to increase market efficiency, enabling companies to better manage risk that is an inherent factor nowadays of an increasingly global economy. For example, with many businesses in Thailand relying on foreign customers for a major part of their sales, according to Surapon Vongvadhanaroj, CEO at Surapon Foods, hedging instruments can help businesses to focus on their core products without having to speculate on foreign currency fluctuations.

While the general tone of the event was pessimistic as to Thailand’s current situation, individual policy recommendations and comments from participants offered many ideas that can change and improve the way business is done in Thailand. With a few key changes to its economic and regulatory structure, Thailand can regain its record of strong economic growth while establishing itself once again as the regional economic and business leader.

The following list summarizes some of the main points brought out by conference speakers:

Mr. Surapon Vongvadhanaroj, CEO Surapon Foods Plc.

- Foreign exchange volatility risk represents a key concern for export industries. A corporation could manage this risk by applying a flexible portion of hedged and spot transactions.
- There is a pessimistic view in the industry about a recent public announcement of forecasted FX rates, believing that this announcement will disturb FX management

by smaller, less sophisticated investors as they aim to effectively manage their portfolios.

Ms. Piyaman Tejapaibul, President of the Tourism Council of Thailand (TCT)

- Quality improvement of personnel is needed, especially in English communication.
- AEC recommends opportunities to combine cross-country destinations, selling them as culture experience-driven products and tour packages.
- A key industry concern is that Thailand's political instability will discourage visits from foreigners.

Dr. Pongsak Kerdvongbundit, President, Thai Rubber Association

- Wide variations in the price of rubber is not all about uncontrolled demand and supply, but rather, government actions have had a significant effect on supply management and, following from that, market prices.
- The price of rubber could also be controlled by increasing demand of natural rubber production, producing different grades of products, and cutting some plantations to balance the supply.

Dr. Piyasavasti Amaranand, E for E foundation

- Regarding the rise of alternative energy: Solar will increasingly play a role in the country's energy mix as technology advancement will push down production costs.
- There is a substantial amount of inefficient energy use, particularly in the transportation sector, which is a result of government subsidies on LPG, NGV, and Diesel.
- Outdated and unpractical government regulations hinder infrastructure development in energy sectors.

Dr. Tatchapol Poshyanonda, MD, Cisco Systems

- The development of infrastructure must include revision on policies affecting natural resources, to reduce inefficiencies in the current market environment.

Mr. Anupong Asawapokin, CEO, Asian Property (Real Estate)

- Human resource development has been an internal focus of the firm. The management of the white collar workers represents challenges as companies increasingly need employees who can perform systematic thinking and who are skilled in performing industrial tasks.

Mr. Bunchai Punturaumporn, CEO, Sabina (Manufacture)

- The minimum wage, at 300 bath per day, was a challenge for the company. The company has had to adjust its operating procedure to increase productivity.



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- The company is continually challenged by the inadequate supply of professionals, but manages this need by working together with local educational institutions to develop coursework which meets the needs of local industries.